



NEIL ABERCROMBIE  
GOVERNOR

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LT. GOVERNOR

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KEALI'I S. LOPEZ  
INTERIM DIRECTOR  
EVERETT KANESHIGE  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON  
ECONOMIC REVITALIZATION & BUSINESS

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Thursday, February 10, 2011  
8:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 839 and NO. 924— RELATING TO INSURANCE.**

TO THE HONORABLE ANGUS K. L. MCKELVEY, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). This testimony addresses both H.B. No. 839 and H.B. No. 924 as they are identical.

The Department has concerns about whether the provisions contained in both these bills belong in the Insurance Code, Hawaii Revised Statutes ("HRS").

The purpose of these bills is to add a new part to Article 1 of the Insurance Code to provide clarification of coverage for damages arising out of construction defects, in response to the Hawaii Intermediate Court of Appeals' decision in *Group Builders, Inc. v. Admiral Ins. Co.*, 123 Haw. 142 (2010).

The issue in the *Group Builders* case was whether alleged faulty construction work, giving rise to contractual claims, constitutes an "occurrence" under a commercial general liability policy.

The purpose of the Insurance Code, HRS chapter 431, is to regulate the business of insurance by licensing and examining insurers, producers, and other licensees. As a regulator, the Insurance Division does not become involved in the interpretation of liability insurance policies or whether an insurance policy meets the reasonable expectations of construction professionals.

As such, the Department believes that the provisions contained in both of these bills do not belong in the Insurance Code.

We thank this Committee for the opportunity to present testimony on this matter.

**BIA-HAWAII**  
**BUILDING INDUSTRY ASSOCIATION**

February 10, 2011

Representative Angus McKelvey, Chair  
Committee on Economic Revitalization & Business  
State Capitol, Room 312  
Honolulu, HI 96813

RE: HB839 and HB924 "Relating to Insurance"

Dear Chair McKelvey and Members of the Economic Revitalization & Business:

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

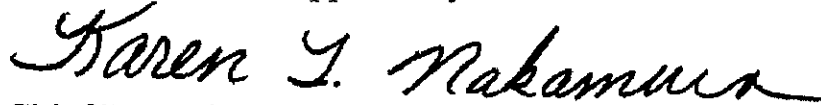
BIA strongly supports HB839/HB924, Relating to Insurance. The intent of the bills is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided.

Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves support the interpretation of coverage because the insurance carriers calculated the risk in the premiums they charged to their insureds, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

The results of the *Group Builders* decision could be disastrous. A copy of a PBN story from November 2010 discussing the ramifications is attached. Already, some

insurance carriers have denied coverage for claims. Some insurance carriers have issued endorsements, but the endorsements are all different and if they provide coverage, they only provide coverage from the date of the endorsement forward. There is no coverage for work that has been completed. If a catastrophic accident occurred on a project that has already been completed, the insurance carriers would not be legally obligated to cover the claims as a result of the *Group Builders* decision, even though the contractors paid for the coverage.

Thank you for the opportunity to share our views with you.

A handwritten signature in black ink that reads "Karen I. Nakamura". The signature is written in a cursive style with a large initial "K".

Chief Executive Officer  
BIA=Hawaii

## Verdict exposes contractors to liability risks

Premium content from Pacific Business News - by Janis L. Magin , Pacific Business News

Date: Friday, November 19, 2010, 1:00am HST

### Related News

A recent Hawaii appeals court decision has thrown into question whether contractors are covered by the insurance policies they purchase to protect themselves from liability for injuries and property damage arising from construction defects. The decision by the state Intermediate Court of Appeals said "construction defect claims do not constitute an 'occurrence' under a [commercial general liability] policy." That means the commercial general liability insurance policies don't provide coverage for construction defects, said **Anna Oshiro**, an attorney with Damon Key Leong Kupchak Hastert, which was hired by the Hawaii General Contractors Association to try and intervene in the case. Most commercial general liability policies are occurrence-based, which means they cover the client when the occurrence happens, said attorney **Mark Murakami**, who works with Oshiro.

The problem is the appeals court said that a construction defect can never be an occurrence so the policies can never cover a construction defect claim, he said. "Until someone gets a case to the Hawaii Supreme Court it's going to be the law," Murakami said,

The case, Group Builders Inc. v. Admiral Insurance Co., stemmed from the mold found at the Hilton Hawaiian Village's Kalia Tower.

Group Builders was a subcontractor on the \$95 million project. The firm settled with Hilton, but assigned its claim against Admiral, as well as its rights to sue in Group Builders' name, to its previous insurer, Tradewind Insurance Co.

Commercial general liability policies can cost hundreds of thousands of dollars for large construction projects.

"It's a significant expense line in every business' [profit and loss statement]," said **Chad Karasaki**, CEO of the insurance brokerage Aon Risk Services Inc. of Hawaii, which has been working with insurance companies to amend the wording of the policies to "defeat" the verbiage of the court ruling so that contractors are still covered.

While insurance companies have been working to remedy the situation by issuing endorsements and riders to existing policies for projects going forward, the appeals court decision means that companies still face exposure for claims related to buildings completed in the past couple of years, which would include nearly a dozen high-rise condominiums completed in the past seven years.

"Under Hawaii law you have 10 years to sue a contractor for construction defects," Oshiro said. "From today going backward you don't have any coverage."

The General Contractors Association was unsuccessful in its attempt to intervene.

"The biggest issue right now is all of us have paid lots and lots of money for these insurance policies thinking we had coverage, and then with this court ruling it negates the coverage we thought we were buying," said the association's president, **Conrad Murashige**, president of Shioi Construction Inc. Everyone understands that the insurance coverage is not for the construction defects themselves, Karasaki said. Rather, it is for the bodily injury and property damage that arise from a construction defect. "We believe it should be covered," he said. "It was routinely covered prior to the Group Builders case."

Some negotiations that had been in mediation or arbitration have fallen apart since the decision was issued.

"I was involved in a recent case where we were in a mediation the exact same time the Group Builders decision was issued," said attorney **Kelly LaPorte** of Cades Schutte. "That definitely affected the dynamics."

The construction company **Albert C. Kobayashi Inc.** is in the midst of negotiations over a project on Maui that's "right now in limbo" because of the Group Builders decision, said President **Russell Young**, who declined to name the project. Aon Risk Services has been trying to raise awareness about the problem since the decision was issued in May, but said there wasn't a lot of interest. "Unfortunately, there weren't a lot of solutions," Karasaki said. "Because people didn't have a solution they didn't want to identify the problem."

Because the appeals court decision was not appealed to the Hawaii Supreme Court, the industry must wait until another case comes up for the high court to rule.

"There's going to have to be a denial of coverage by an insurer, then the insured is going to have to sue and then it'll get heard," Karasaki said. "In the meantime, if people don't address the issue, the period of time of the gap in their coverage is going to be longer and longer."

Read more: [Verdict exposes contractors to liability risks | Pacific Business News](#)



Testimony of C. Mike Kido  
External Affairs  
The Pacific Resource Partnership

House Committee on Economic Revitalization & Business  
Representative Angus L.K. McKelvey, Chair  
Representative Isaac W. Choy, Vice Chair

HB 839/HB 924 – RELATING TO INSURANCE

Thursday, February 10, 2011

8:00 am

Conference Room 312

Chair Angus McKelvey, Vice Chair Choy and Members of the Committee:

My name is C. Mike Kido, External Affairs of the Pacific Resource Partnership (PRP), a labor-management consortium representing over 240 signatory contractors and the Hawaii Carpenters Union.

PRP is in strong support of HB 839/HB 924 - Relating to Insurance which clarifies the laws relating to the interpretation of commercial liability insurance policies affecting construction professionals.

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their CGL policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insureds, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

The results of the *Group Builders'* decision could be disastrous. A copy of a PBN story from November 2010 discussing the ramifications is attached. Already, insurance carriers have denied coverage for claims. Some insurance carriers have issued endorsements, but the endorsements are all different and if they provide coverage, they only provide coverage from the date of the endorsement forward. There is no coverage for work that has been completed. If a catastrophic accident occurred on a project that has already been completed, the insurance carriers would not be legally obligated to cover the claims as a result of the *Group Builders'* decision, even though the contractors paid for the coverage. We ask you to fix this significant problem.

Thank you for the opportunity to share our views with you and we respectfully ask for your support on HB 839/HB 924 – Relating to Insurance.

From the Pacific Business News:  
<http://www.bizjournals.com/pacific/print-edition/2010/11/19/verdict-exposes-contractors-to.html>

## Verdict exposes contractors to liability risks

Premium content from Pacific Business News - by Janis L. Magin , Pacific Business News

Date: Friday, November 19, 2010, 1:00am HST

A recent Hawaii appeals court decision has thrown into question whether contractors are covered by the insurance policies they purchase to protect themselves from liability for injuries and property damage arising from construction defects.

The decision by the state Intermediate Court of Appeals said "construction defect claims do not constitute an 'occurrence' under a [commercial general liability] policy."

That means the commercial general liability insurance policies don't provide coverage for construction defects, said **Anna Oshiro**, an attorney with Damon Key Leong Kupchak Hastert, which was hired by the Hawaii General Contractors Association to try and intervene in the case.

Most commercial general liability policies are occurrence-based, which means they cover the client when the occurrence happens, said attorney **Mark Murakami**, who works with Oshiro.

The problem is the appeals court said that a construction defect can never be an occurrence so the policies can never cover a construction defect claim, he said. "Until someone gets a case to the Hawaii Supreme Court it's going to be the law," Murakami said,

The case, Group Builders Inc. v. Admiral Insurance Co., stemmed from the mold found at the Hilton Hawaiian Village's Kalia Tower.

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Commercial general liability policies can cost hundreds of thousands of dollars for large construction projects.

"It's a significant expense line in every business' [profit and loss statement]," said **Chad Karasaki**, CEO of the insurance brokerage Aon Risk Services Inc. of Hawaii, which has been working with insurance companies to amend the wording of the policies to "defeat" the verbiage of the court ruling so that contractors are still covered.

While insurance companies have been working to remedy the situation by issuing endorsements and riders to existing policies for projects going forward, the appeals court decision means that companies still face exposure for claims related to buildings completed in the past couple of years, which would include nearly a dozen high-rise condominiums completed in the past seven years.

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Everyone understands that the insurance coverage is not for the construction defects themselves, Karasaki said. Rather, it is for the bodily injury and property damage that arise from a construction defect. "We believe it should be covered," he said. "It was routinely covered prior to the Group Builders case."



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"Unfortunately, there weren't a lot of solutions," Karasaki said. "Because people didn't have a solution they didn't want to identify the problem."

Because the appeals court decision was not appealed to the Hawaii Supreme Court, the industry must wait until another case comes up for the high court to rule.

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1003 Bishop Street  
Honolulu, Hawaii 96813  
Telephone (808) 525-5877  
Facsimile (808) 525-5879

**Alison Powers**  
Executive Director

## TESTIMONY OF MICHAEL TANOUE

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HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS  
Representative Angus L.K. McKelvey, Chair  
Representative Isaac W. Choy, Vice Chair

Thursday, February 10, 2011  
8:00 a.m.

### **HB 839 and HB 924**

Chair McKelvey, Vice Chair Choy, and members of the Committee, my name is Michael Tanoue, testifying on behalf of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** HB 839 and HB 924. As a response to the Hawaii Intermediate Court of Appeals decision in *Group Builders v. Admiral Insurance*, this bill is unnecessary and may likely lead to additional market disruption and lawsuits. The Group Builders case held that an insurer has no duty to indemnify in a construction defect lawsuit when the claims asserted against the construction professional are based on breach of a construction contract.

The bill would direct the courts to "presume" that the work of a construction professional resulting in property damage is an "accident" unless the property damage is expected and intended. This bill would instruct the courts that they may consider a list of factors in determining whether an insurance policy meets a construction professional's objective and reasonable expectation of coverage. In addition, this bill would direct the courts that they must construe the insurance policy in favor of coverage in the case of conflicting policy provisions. This bill also alters long-standing court decisions by

shifting the burden of proof from the construction professional to the insurer to establish whether an exception to a policy exclusion applies.

HB 839 and HB 924 should be held for many reasons including the following:

1. The bill attaches new legal rights and duties to already completed transactions, resulting in a retroactive statute that may not survive legal challenge.
2. The bill intrudes upon the prerogative of the Judiciary by directing or instructing courts how to interpret insurance policies issued to construction professionals. This is a matter traditionally and best left to the Judiciary.
3. The question of whether an insurer has a duty to provide a defense to a construction professional in a construction defect lawsuit is still pending before the Hawaii Intermediate Court of Appeals. The *Group Builders v. Admiral Insurance* decision referenced in HB 839 and HB 924 decided only the issue of the duty to indemnify, which is much narrower than the duty to defend.
4. The free market is the best mechanism for insurers to respond to the needs of construction professionals. Several insurers, capable of handling risks of all sizes, have already responded by restoring coverage for construction professionals post-*Group Builders* by policy endorsements.
5. Insurance producers have expressed confidence that they can secure needed coverage for their construction clients. The insurance marketplace is not in crisis at this time; coverage is available and pricing is competitive.
6. However well-intended, legislative mandates could have the contrary effect of worsening the insurance climate by constricting the market, potentially eliminating the

variety of insurance coverage options and resulting in higher premiums for construction professionals.

Based on the foregoing, the Hawaii Insurers Counsel respectfully requests that HB 839 and HB 924 be held. Thank you for the opportunity to testify.

## TESTIMONY OF JOHN SCHAPPERLE

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HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS  
Representative Angus L.K. McKelvey, Chair  
Representative Isaac W. Choy, Vice Chair

Thursday, February 10, 2011  
8:00 a.m.

### **HB 839 and HB 924**

Chair McKelvey, Vice Chair Choy, and members of the Committee, my name is John Schapperle, President of Island Insurance Companies. Island is the only locally owned and managed property and casualty insurance company in the State of Hawaii with roots tracing back to our founding in 1939 and does business solely in the State of Hawaii. Our policyholders represent homeowners, owners of automobiles and business owners located throughout all of Oahu and the neighbor Islands. Approximately 60% of our premiums written represent business insurance of which about 30% is written for contractors. We have a vested interest in Hawaii, our business community and contractors doing business in our State.

Island Insurance **opposes** HB 839 and HB 924. Both bills are in response to the Hawaii Intermediate Court of Appeals decision in *Group Builders v. Admiral Insurance* to which one of the Island Companies, Tradewind Insurance Company, Ltd., was a party. Tradewind held they did have a duty to indemnify Group Builders for property damage resulting from a construction defect. Tradewind, in fact, indemnified original plaintiff and then sought recovery for a portion of these damages from Admiral through court action. Admiral however prevailed in the circuit court with a ruling that there was not a duty to indemnify which was followed by an appeal by Tradewind to the Intermediate Court of Appeals. Unfortunately the Intermediate Court of Appeals upheld the circuit court's decision and further ruled that property damage resulting from construction defect was not an "occurrence" and therefore not covered under the General Liability policy.

Our philosophy on coverage as an insurer responsible to our policyholders has always been and remains that we resolve doubts in favor of providing coverage to our policyholders. Our record clearly shows we rarely file actions to avoid coverage. Following the decision of the Intermediate Court of Appeals, Island Insurance Companies implemented an endorsement providing contractors with coverage for property damage resulting from construction defects which had been negated by the Intermediate Court of Appeals. Most other insurers providing coverage for the majority of the construction business in Hawaii did the same. There is no insurance crisis for contractors. Coverage is available.

HB 839 and HB 924 should be held for many reasons including the following:

1. The free market has addressed the issue of property damage resulting from construction defect by those insurers which write the majority of the market share of contractors in the State of Hawaii endorsing their policies to provide coverage for property damage resulting from construction defect.
2. This bill also potentially conflicts with the Judiciary's responsibility of interpreting insurance policies.
3. Though the Intermediate Court of Appeals has ruled on the Duty to Indemnify, the far greater obligation, that of the insurer's Duty to Defend, is still pending a decision from that same Court.
4. Mandating coverage which is readily available could result in an adverse reaction from the free market culminating in restriction of coverage and/or higher premiums. Mandating coverage can also send the very wrong message to the market that the Legislature is adverse to a free market system and anti-business.

We therefore ask the Legislature to Hold HB 839 and HB 924.



P.O. Box 2866  
Honolulu, Hawaii 96803  
(808) 527-7777

### **TESTIMONY OF BEN BONDROFF**

HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS  
Representative Angus L.K. McKelvey, Chair  
Representative Isaac W. Choy, Vice Chair

Thursday, February 10, 2011  
8:00 a.m.

#### **HB 839 and HB 924**

My name is Ben Bondroff, Senior Vice President of First Insurance Company of Hawaii. First Insurance Company opposes this bill for the reasons outlined by Hawaii Insurers Council. We would like to emphasize that part of the Group Builders case is still pending the Intermediate Court of Appeals and therefore any legislative action would be premature.

First Insurance Company underwrites construction liability insurance policies and we have a significant market share in this line of business. We continue to do business in this area and have responded to the first part of the Intermediate Court of Appeals decision in Group Builders by adding an endorsement to our policies. If HB 839 and/or HB 924 is passed, First Insurance Company will need to review our underwriting guidelines for this line of insurance.

I'm happy to answer any questions. Thank you for the opportunity to testify.



February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION &  
BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

Nordic PCL Construction, Inc. strongly support HB839 and HB924, Relating to Insurance.

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

The results of the *Group Builders* decision could be disastrous. Insurance carriers have already denied coverage for claims based on this decision. Some insurance carriers have issued endorsements, but the endorsements are all different and if they provide coverage, they only provide coverage from the date of the endorsement forward. There is no coverage for work that has already been completed. If a catastrophic accident occurred on a project that has already been completed, the insurance carriers would not be legally obligated to cover the claims as a result of the *Group Builders* decision, even though the contractors paid for the coverage. We ask you to fix this significant problem.

Nordic PCL Construction, Inc. strongly support the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.

Thank you for considering our concerns on the above bill.

Yours truly,

NORDIC PCL CONSTRUCTION, INC.

Glen Kaneshige  
Executive Vice President





# STEELTECH

99-1324 Koaha Place Aiea, HI. 96701 (808) 487-1445 phone (808) 487-5307 fax oli@steeltechinc.biz

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION &  
BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
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## NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

SteelTech, Inc. **strongly support** HB839 and HB924, Relating to Insurance.

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

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SteelTech, Inc. **strongly support** the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.


Thank you for considering our concerns on the above bill.

Respectfully submitted,

**Frederick H.**

**Woolsey Jr.**

Frederick H. Woolsey Jr.  
SteelTech, Inc.  
Vice President & RME

 Digitally signed by Frederick H. Woolsey Jr.  
DN: cn=Frederick H. Woolsey Jr., o=SteelTech,  
Inc., ou, email=oli@steeltechinc.biz, c=US  
Date: 2011.02.09 11:25:22 -10'00'



February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC  
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NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
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Dear Chair and Members of the Committee,


LY, Inc. **strongly support** HB839 and HB924, Relating to Insurance.

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

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LYZ, Inc. **strongly support** the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.

Thank you for considering our concerns on the above bill.

  
JAMES N. KURITA  
Vice President/COO

HSI

From the desk of:  
Fred Moore,  
President

July 15, 2010

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION  
& BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
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NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

HSI Mechanical, Inc., a Hawai'i company for 36 years, employing 47 local residents, strongly supports HB839 and HB924, Relating to Insurance.

The intent of the bill is to negate the effects of the Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co. court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the Group Builders' decision.

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With Aloha,  
  
Fred Moore

hsi mechanical, inc.  
License BC-24578  
227 Pu'uhalo Road, Honolulu, HI 96819  
Ph.: (808) 845-5432 ♦ Fax: 841-5516 ♦ Cell: 478-8482  
E-mail: [fmoore@hsimechanical.com](mailto:fmoore@hsimechanical.com)  
Website: [www.hsimechanical.net](http://www.hsimechanical.net)

OUR VISION

"hsi mechanical, inc. provides high customer satisfaction, quality, and dependability."

# SHIOI CONSTRUCTION, INC.

General Contractor • LIC #ABC 12379

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION &  
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PLACE: Conference Room 312

Dear Chair and Members of the Committee,

Shioi Construction, Inc. **strongly support** HB839 and HB924, Relating to Insurance.

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

The results of the *Group Builders* decision could be disastrous. Insurance carriers have already denied coverage for claims based on this decision. Some insurance carriers have issued endorsements, but the endorsements are all different and if they provide coverage, they only provide coverage from the date of the endorsement forward. There is no coverage for work that has already been completed. If a catastrophic accident occurred on a project that has already been completed, the insurance carriers would not be legally obligated to cover the claims as a result of the *Group Builders* decision, even though the contractors paid for the coverage. We ask you to fix this significant problem.

#### **OAHU**

98-724 Kuahao Place  
Pearl City HI 96782-3113  
Telephone: (808) 487-2441 \* FAX: (808) 487-2445

#### **KAUAI**

4023 Halau Street  
Lihue, Kauai 96766-1415  
Telephone: (808) 245-3975 \* FAX (808) 245-3977

*Serving Hawaii since 1948...*

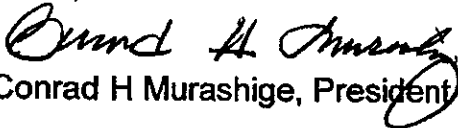
# SHIOI CONSTRUCTION, INC.

General Contractor • LIC # ABC 12379

Shioi Construction, Inc. **strongly support** the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.

Thank you for considering our concerns on the above bill.

Very truly yours,  
Shioi Construction, Inc

  
Conrad H Murashige, President

**OAHU**  
98-724 Kuahao Place  
Pearl City HI 96782-3113  
Telephone: (808) 487-2441 \* FAX: (808) 487-2445

**KAUAI**  
4023 Halau Street  
Lihue, Kauai 96766-1415  
Telephone: (808) 245-3975 \* FAX (808) 245-3977

# Darcey Builders, Inc.

501 Sumner Street, Suite 605  
Honolulu, Hawaii 96817  
Tel (808) 524-2903 Fax (808) 533-0497

February 9, 2011

To: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND MEMBERS  
OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION &  
BUSINESS

From: Michael A. Darcey

Subject: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.

## NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

Darcey Builders, Inc. strongly support HB839 and HB924, Relating to Insurance.

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the Group Builders' decision.

The results of the *Group Builders* decision could be disastrous. Insurance carriers have already denied coverage for claims based on this decision. Some insurance carriers have issued endorsements, but the endorsements are all different and if they provide coverage, they only provide coverage from the date of the endorsement forward. There is no coverage for work that has already been completed. If a catastrophic accident occurred on a project that has already been completed, the insurance carriers would not be legally obligated to cover the claims as a result of the *Group Builders* decision, even though the contractors paid for the coverage. We ask you to fix this significant problem.

Darcey Builders, Inc. strongly support the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.

Thank you for considering our concerns on the above bill.

**Grace Pacific**  
CORPORATION  
P.O. Box 76 / Honolulu, Hawaii 96810

Administration Office (808) 672-8283 Fax (808) 672-1040  
Paving Office (808) 845-3031 Fax (808) 842-3266  
Quality Office (808) 672-3545 Fax (808) 672-3998



February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC  
REVITALIZATION & BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

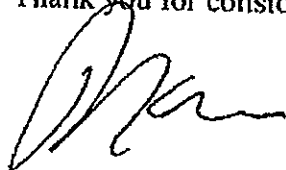
Grace Pacific Corporation **strongly support** HB839 and HB924, Relating to Insurance.

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

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Grace Pacific Corporation strongly support the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.

Thank you for considering our concerns on the above bill.

A handwritten signature in black ink, appearing to read 'Raymond Nii', written in a cursive style.

Raymond Nii  
Manager, Engineering, Admin, IDIQ





# S & M SAKAMOTO, INC.

GENERAL CONTRACTORS

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE STATE HOUSE COMMITTEE ON ECONOMIC  
REVITALIZATION & BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.

## NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

S & M Sakamoto, Inc. **strongly supports** HB839 and HB924, Relating to Insurance.

The intent of the bills are to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

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S & M Sakamoto, Inc. **strongly supports** the passage HB839 and HB924, and respectfully ask that the bills be passed out of the committee.

Thank you for considering our concerns on the above bills.

Dennis M. Ideta, Senior Vice President



February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC  
REVITALIZATION & BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

**Mega Construction, Inc. strongly supports HB839 and HB924, Relating to Insurance.**

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

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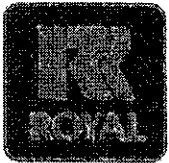
**Mega Construction, Inc. strongly supports** the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.

Thank you for considering our concerns on the above bill.

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC  
REVITALIZATION & BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.



NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

**Royal Contracting Co., Ltd. strongly support HB839 and HB924, Relating to Insurance.**

Dear Chair and Members of the Committee,

Royal Contracting is celebrating 50 years of being a contractor in Hawaii.

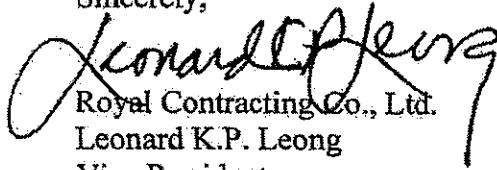
During the past years we have faced many challenges, but to lose insurance coverage that we have had for 50 years is our greatest challenge.

It is something that is paid for and insurance should be provided for the premium paid.

Without proper insurance coverage, smaller contractors may be forced to close their business in lieu of risking their equity.

We urge passage of HB839 and HB924.

Sincerely,

  
Royal Contracting Co., Ltd.  
Leonard K.P. Leong  
Vice President



# TOMCO CORP.

General Contractors

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

**Tomco Corp. strongly support HB839 and HB924, Relating to Insurance.**

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

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**Tomco Corp. strongly support the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.**

Thank you for considering our concerns on the above bill.

Tomco Corp.

  
Glenn Ushio  
President

500 Alakawa Street #100A, Honolulu, Hawaii 96817  
Ph. (808) 845-0755 Fax (808) 845-1021  
License # ABC 16941

# Nan Inc

License #ABC-19711  
636 Laumaka Street  
Honolulu, Hawaii 96819  
Telephone: (808) 842-4929  
Facsimile: (808) 841-8281

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION &  
BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE  
H.B. 924 RELATING TO INSURANCE

## NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 a.m.  
PLACE: Conference Room 312

Dear Chair and Members of the Committee,

Nan, Inc. **strongly supports** HB 839 and HB 924, Relating to Insurance.

The intent of the bill is to negate the effects of the Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co. court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the Group Builders' decision.

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Nan, Inc. **strongly supports** the passage of HB 839 and HB 924, Relating to Insurance, and respectfully ask that the bill be passed out of the committee. Thank you for considering our concerns on the above bill.



Sandra Kim, In-House Counsel



Hawaii General Contractor - BC 23231

HubZone, 8(a), SDB, SB

February 9, 2011

TO: THE HONORABLE ANGUS I. K. McKELVEY, CHAIR AND  
MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION &  
BUSINESS

SUBJECT: H.B. 839 RELATING TO INSURANCE.  
H.B. 924 RELATING TO INSURANCE.

NOTICE OF HEARING

DATE: Thursday, February 10, 2011  
TIME: 8:00 AM  
PLACE: Conference Room 312

Dear Chair and Members of the Committee:

**Heartwood Pacific LLC strongly supports HB839 and HB924, Relating to Insurance.**

The intent of the bill is to negate the effects of the *Group Builders and Tradewind Insurance Co. v. Admiral Insurance Co.* court decision, and to ensure that the insurance coverage that contractors, subcontractors, and other construction industry participants have already paid for is provided. Contractors and others have long paid insurance premiums for insurance coverage in their Commercial General Liability (CGL) policies that would cover bodily injury and property damage resulting from defective workmanship. The insurance policies themselves supports the interpretation of coverage, the insurance carriers calculated the risk in the premiums they charged to their insured, and the insurance carriers provided coverage for such claims, until the *Group Builders'* decision.

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**Heartwood Pacific LLC strongly supports the passage HB839 and HB924, and respectfully ask that the bill be passed out of the committee.**

Thank you for considering our concerns on the above bill.

F. Michael Singer  
Managing Member

---

**Heartwood Pacific LLC**  
**P.O. Box 1719, Kaaau, Hawaii 96749**  
**Bus: (808)327-6700**

**Email: [fmsinger@hawaiiantel.net](mailto:fmsinger@hawaiiantel.net)**  
**Cell: (808) 960-7854**  
**Fax: (808)982-5283**