

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1443

February 28, 2013

RELATING TO THE HAWAII HURRICANE RELIEF FUND

House Bill No. 1443 reinstates the special mortgage recording fee to be deposited into the Hawaii Hurricane Relief Fund (HHRF) and appropriates \$113,250,000 in general funds to be deposited into the HHRF.

The Department of Budget and Finance defers to the Department of Commerce and Consumer Affairs regarding reinstating the special mortgage recording fee and other technical issues. However, we would like to point out that the \$113,250,000 general fund appropriation into the HHRF is unnecessary. Pursuant to the provisions of Act 62, SLH 2011, \$55,500,000 in general funds in FY 2014 and the same amount in FY 2015 will be deposited into the HHRF for the purpose of recapitalizing the HHRF.

House Bill No. 861 appropriates an additional \$25 million into the HHRF, which would bring the balance in the HHRF to \$157 million by FY 2015. It is noted that the Administration has already looked strategically with Act 62 (2011), House Bill No. 861, and the 6-year financial plan in proposing re-capitalizing the HHRF by \$157 million and this is all in concert for inclusion in the current general fund financial plan.

## TESTIMONY OF ALISON POWERS

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HOUSE COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair  
Representative Aaron Ling Johanson, Vice Chair

February 28, 2013  
2:00 p.m.

### **HB 1443**

Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson and members of the Committee, my name is Alison Powers, Executive Director of the 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** this bill. This bill authorizes the Hawaii Hurricane Relief Fund (HHRF) to compete with the personal lines hurricane insurance market. This bill also provides HHRF with certain advantages not available to the private market including, funding from state appropriations, funding from the special mortgage recording fee, and politically controlled rates either through a rate reduction or maintaining them at their existing level when the HHRF has secured from the federal government, financial institutions and/or the issuance of revenue bonds in an amount to be determined by the legislators.

The personal lines hurricane insurance market is competitive, and maintains numerous companies providing this coverage where just in the recent past there were only two companies along with the State's HHRF. The average premium in Hawaii in 2010 for homeowners insurance is #17 from the top at \$938 which is quite remarkable

considering the high cost of housing in here. Contributing to a healthy marketplace is a robust reinsurance market where capital is available. The Reinsurance Association of America says in part, "...The January 2013 reinsurance renewals saw ample reinsurance capacity and stable pricing... Despite the historic losses of the last three years, reinsurance catastrophe pricing continues to be significantly below 2006 levels."

This market is healthy and competitive and there is no need for this legislation. We ask that this bill be held. Thank you.

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February 28, 2013

**The Honorable Sylvia Luke, Chair**  
House Committee on Finance  
State Capitol, Room 308  
Honolulu, Hawaii 96813

**RE: H.B. 1443 Relating to the Hawaii Hurricane Relief Fund**

**HEARING: Thursday, February 28, 2013, at 2:00 p.m.**

Aloha Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee:

I am Myoung Oh, Government Affairs Director, submitting written comments on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,000 members. H.B. 1443, authorizes the Hawaii Hurricane Relief Fund to conduct itself as a private entity to participate in the insurance market and reactivates the special mortgage recording fee.

HAR **opposes section 5 of** H.B. 1443, which reactivates the special mortgage recording fee (SMRF) and HAR believes that SMRF will add to the high cost of housing in Hawaii.

Mahalo for the opportunity to submit testimony.