
A BILL FOR AN ACT

RELATING TO THE HAWAII HURRICANE RELIEF FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Hurricane Iniki struck Hawaii on September 11,
2 1992, devastating the island of Kauai and the leeward coast of
3 Oahu. Hurricane Iniki was the costliest hurricane in the
4 history of Hawaii, causing approximately \$1,600,000,000 in
5 damage. On Kauai, the storm destroyed thousands of homes and
6 left a large portion of the island without electricity. Iniki
7 also caused six deaths--four on Kauai and two on Oahu. It has
8 been observed that if a hurricane of the size and strength of
9 Iniki were to hit the highly urbanized south shore of Oahu,
10 including downtown Honolulu and Waikiki, the estimated amount of
11 damage would range from \$3,000,000,000 to \$5,000,000,000.

12 Although it has been over twenty years since Hawaii was
13 last struck by a hurricane, the state has experienced many close
14 brushes with major hurricanes with potentially devastating
15 effects during the intervening period. Growing scientific
16 evidence exists that the earth is warming. Among the numerous
17 effects predicted as a result of such climate change is an
18 increase in the severity of hurricanes.



1 As a geographically isolated archipelago at the center of
2 the Pacific Ocean, Hawaii must be prepared for more powerful
3 hurricanes. Prior to Hurricane Iniki, homeowner's insurance
4 covered losses from fire, windstorms, hurricanes, and other
5 causes.

6 Soon after Iniki, homeowner's insurance, which continued to
7 include hurricane coverage, became difficult to obtain.
8 Eventually, insurance companies, reeling from the estimated
9 \$1,600,000,000 in damage wrought by Hurricane Iniki, stopped
10 writing and renewing hurricane insurance policies in Hawaii.
11 Many private insurers exited the Hawaii market, noting the high
12 risk and the lack of reinsurance coverage as the principal
13 reasons for their departure. To protect property owners and
14 keep real-estate transactions from grinding to a halt, the State
15 created the Hawaii hurricane relief fund to provide government-
16 run hurricane insurance through Act 339, Session Laws of Hawaii
17 1993 (Act 339).

18 As a result of that law, insurance companies issued
19 homeowner's insurance policies that did not contain coverage for
20 hurricane risk. The Hawaii hurricane relief fund issued
21 policies covering the hurricane risk. Act 339 made private
22 insurers liable for no more than the first \$500,000,000 in



1 losses in the event of another hurricane. Losses in excess of
2 that amount were borne by the Hawaii hurricane relief fund. The
3 fund was financed by special fees on mortgages recorded in the
4 state, premiums from insurance policies issued by the fund, and
5 an annual assessment on private insurance companies. At its
6 height, the Hawaii hurricane relief fund insured approximately
7 two-thirds of the residential-housing market in the State.

8 However, when many years passed without another hurricane
9 striking Hawaii, private insurance companies began issuing their
10 own coverage once again. As of July 1, 2001, the State stopped
11 collecting the special mortgage recording fee, and the Hawaii
12 hurricane relief fund has been dormant since the end of 2002.
13 Nevertheless, authorization for the Hawaii hurricane relief fund
14 remains operative in the law so that in the event of a hurricane
15 or other catastrophic event that affects the reinsurance market,
16 the fund could be restarted and could begin writing policies
17 again, if necessary. Over the years, however, the Hawaii
18 hurricane relief fund has incrementally been depleted. Since
19 2002, both the legislature and executive branch have sought to
20 use the moneys in the fund to help meet the State's budgetary
21 requirements. At its peak, the fund held \$222,000,000. Its



1 current balance, however, is estimated at only \$20,000,000,
2 which is woefully inadequate in case another hurricane occurs.

3 The purpose of this Act is to rebuild the reserves of the
4 Hawaii hurricane relief fund to realistic levels so that if
5 needed, the State can protect homeowners by once again issuing
6 insurance policies to cover hurricane risk.

7 SECTION 2. Section 431P-2, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "[+]§431P-2[+] **Establishment of Hawaii hurricane relief**
10 **fund.** There shall be a Hawaii hurricane relief fund to be
11 placed within the department of commerce and consumer affairs
12 for administrative purposes. The fund shall be a public body
13 and a body corporate and politic. For purposes of participating
14 in the insurance market, the fund shall be authorized to conduct
15 itself as a private entity."

16 SECTION 3. Section 431P-5.5, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "~~§431P-5.5~~ **Accumulation of [~~\$500,000,000~~] \$_____ in**
19 **funds and commitments.** (a) Upon written confirmation from the
20 insurance commissioner that the director of finance has secured
21 [~~\$500,000,000,~~] \$_____, in the aggregate, in the form of:



1 (1) Commitments from either the federal government or an
2 agency of the federal government or a financial
3 institution;

4 (2) Revenue bonds other than those issued or to be issued
5 in response to the occurrence of a covered event; or

6 (3) A combination of the commitments or bonds;

7 the Hawaii hurricane relief fund shall:

8 (1) Control or freeze rates; and

9 (2) Continue accumulating premiums from policies of
10 hurricane property insurance and the special mortgage
11 recording fee, net of any reinsurance payments,
12 operating expenses and funds necessary for the
13 development of a comprehensive loss reduction plan.

14 (b) When the balance of the net moneys accumulated totals
15 [~~\$500,000,000~~] \$ _____, the Hawaii hurricane relief fund may
16 notify the insurance commissioner of that fact. The insurance
17 commissioner, in turn, may order, following the receipt of the
18 notice, a reduction in the rates for policies of hurricane
19 property insurance.

20 (c) In the event of a loss from a covered event, the net
21 moneys accumulated shall be used to settle claims and pay
22 current and ongoing expenses of the Hawaii hurricane relief



1 fund. The net accumulated moneys, commitments, and bonds
2 described in subsection (a)(2) shall be used only in the event
3 losses from a covered event exceed the assessment pursuant to
4 section 431P-5(b)(8)(B).

5 (d) In the event the balance of the net accumulated moneys
6 falls below [~~\$400,000,000~~] \$ _____, the Hawaii hurricane
7 relief fund shall establish rates, subject to the approval of
8 the insurance commissioner, necessary to replenish the account
9 balance to [~~\$500,000,000~~] \$ _____ as promptly as reasonably
10 practicable. The director of finance shall seek to arrange
11 additional commitments whenever the account balance falls below
12 [~~\$400,000,000~~] \$ _____.

13 (e) The Hawaii hurricane relief fund shall be exempt from
14 paying all taxes and fees levied by the State on other
15 insurers."

16 SECTION 4. Section 431P-10, Hawaii Revised Statutes, is
17 amended by amending subsection (a) to read as follows:

18 "(a) Policies issued by the fund shall provide a maximum
19 aggregate coverage of up to [~~\$750,000~~] \$ _____ per risk on
20 real property of one to four units used for residential purposes
21 and [~~\$500,000~~] \$ _____ per risk for real property used for
22 business, commercial, or industrial purposes and shall provide



1 for a mandatory deductible. The deductible amount for
2 residential property policies shall be the greater of [~~\$1,000~~]
3 \$_____ or one per cent of the insured value or the greater of
4 [~~\$2,000~~] \$_____ or two per cent of the insured value;
5 provided that the board may establish higher deductible limits.
6 The deductible amount for commercial property policies shall be
7 the greater of [~~\$5,000~~] \$_____ or five per cent of the
8 insured value or an amount equivalent to all the other perils
9 deductible of the companion policy; provided that the board may
10 establish higher deductible limits."

11 SECTION 5. In accordance with section 431P-5(b)(15),
12 Hawaii Revised Statutes, the board of directors of the Hawaii
13 hurricane relief fund shall reactivate the special mortgage
14 recording fee established under chapter 431P, Hawaii Revised
15 Statutes, pursuant to resolution of the board.

16 SECTION 6. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$_____ for fiscal
18 year 2013-2014 to be deposited into the Hawaii hurricane relief
19 fund.

20 The sum appropriated shall be expended by the department of
21 budget and finance for the purposes of this Act.



1 SECTION 7. This Act does not affect rights and duties that
2 matured, penalties that were incurred, and proceedings that were
3 begun before its effective date.

4 SECTION 8. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 9. This Act shall take effect on July 1, 2030.



Report Title:

Hawaii Hurricane Relief Fund

Description:

Authorizes the Hawaii Hurricane Relief Fund to conduct itself as a private entity to participate in the insurance market. Reactivates the special mortgage recording fee. Replenishes the Hawaii Hurricane Relief Fund. Effective July 1, 2030. (HB1443 HD1)

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