

HAWAII HURRICANE RELIEF FUND

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To The House Committee on Consumer Protection and Commerce

Twenty-Eighth Legislature
Regular Session of 2015

Thursday, January 29, 2015
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 273-RELATING TO THE HURRICANE
RESERVE TRUST FUND

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

My name is Lloyd Lim, acting executive director of the Hawaii Hurricane Relief Fund (“HHRF”). I am testifying on behalf of the HHRF Board of Directors.

HHRF supports HB 273.

HHRF is now operationally dormant, but the risk exposure faced by the HHRF if it becomes operational again will be very large. For example, if there is a severe hurricane striking Honolulu, the loss could be in the tens of billions of dollars. Therefore, it makes sense to build the HHRF reserve. Moneys in the hurricane reserve trust fund can be used for the restart of HHRF, the purchase of reinsurance, or claims payments at the time of loss.

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

February 2, 2015

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The Honorable Angus McKelvey, Chair

House Committee on Consumer Protection & Commerce
State Capitol, Room 325
Honolulu, Hawaii 96813

RE: H.B. 273, Relating to the Hurricane Reserve Trust Fund

HEARING: Monday, February 2, 2015, at 2:00 p.m.

Aloha Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

I am Aron Espinueva, Government Affairs Analyst, here to testify on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i, and its 8,400 members. HAR **supports** H.B. 273, which requires the interest and other moneys earned on the principal of the hurricane reserve trust fund to be deposited into the trust fund instead of being diverted to the general fund.

HAR appreciate legislative efforts to reallocate interest and other moneys to help ensure proper growth of the Hurricane Reserve Trust Fund. We agree that this is a prudent strategy to help the State meet its targeted objective of funding the state reserves available for hurricane reinsurance and assist with the state's bond rating.

On September 11, 1992, Hurricane Iniki struck Kaua'i, causing \$1.6 billion in damage. The devastation caused by Iniki left many insurance companies unable to obtain reinsurance, which rendered them incapable of providing insurance to the people of Kaua'i. Numerous real estate transactions were stalled or fell through as a direct result, leaving prospective homeowners and renters of investor-owned properties in limbo. Many parties, including HAR, worked on the formation of the HHRF during the 1993 legislative session.

Three revenue sources built the HHRF: (1) premiums from hurricane property insurance policies; (2) assessments from insurance companies; and (3) special mortgage recording fees paid by mortgagees/homeowners who did not pay cash for their property.

HAR continues to believe that the most practicable and responsible use of HHRF funds, including its interest, is to continue to use it for the purpose for which it was collected - to protect the public's interest in the event of a hurricane.

Mahalo for the opportunity to testify.