



# *Hawaii Independent Insurance Agents*

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## A S S O C I A T I O N

February 10, 2015

To: Representative Angus L.K. McKelvey, Chair  
Representative Justin H. Woodson, Vice Chair  
And Committee on Consumer Protection & Commerce  
From: Sonia M. Leong, Executive Director  
Hawaii Independent Insurance Agents Association

Re: HB 737 HD1 (HSCRR55) Relating to Property Insurance  
Hearing: Wednesday, February 11, 2015 2:30 Conference Room 325

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The Hawaii Independent Insurance Agents Association (HIIA) is submitting testimony in **Opposition** to HB 737 HD1 which would authorize the HPIA (Hawaii Property Insurance Association) to appropriate funds from the HHRF (Hawaii Hurricane Relief Fund) to pay for the “extraordinary losses caused by the flow of lava or other volcanic activity.”

While we empathize with our fellow citizens who are experiencing devastating losses, we strongly feel the HHRF funds should remain for the purpose for which it was established. Again the purpose for establishing the “Fund” was to provide protection and relief from catastrophic hurricane exposure. The “Funds” were collected from policyholders, from property & casualty insurers, and from mortgage recording fees. These “Funds” were collected from these sources for a specific purpose.

We are concerned that the diversion of the HHRF funds to pay for the lava flow claims would jeopardize our ability to respond to a catastrophic hurricane.

Thank you for this opportunity to present testimony.

# HAWAII HURRICANE RELIEF FUND

335 Merchant Street #213

Honolulu, HI 96813 (Phone: 586-2804)

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To The House Committee on Consumer Protection & Commerce

Twenty-Eighth Legislature  
Regular Session of 2015

Wednesday, February 11, 2015  
2:30 p.m.

## WRITTEN TESTIMONY ONLY

TESTIMONY ON HOUSE BILL NO. 737, HD 1-RELATING TO PROPERTY  
INSURANCE

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 opposes HB 737, HD 1. HHRF believes that moneys collected for HHRF should be used solely for HHRF purposes.

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 maintain 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.

**LATE**

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE  
ON  
HOUSE BILL NO. 737, H.D. 1

February 11, 2015

RELATING TO PROPERTY INSURANCE

House Bill No. 737, H.D. 1, amends Section 431:21-105, Subsection (b), Hawaii Revised Statutes (HRS), to authorize the Hawaii Property Insurance Association (HPIA) to utilize the Hawaii Hurricane Relief Fund (HHRF) to cover extraordinary losses caused by lava flow or other volcanic activity that are incurred by the HPIA.

The Department of Budget and Finance has serious concerns regarding the authorization of the HPIA to use the HHRF to cover extraordinary losses caused by volcanic activity. While the HHRF was established to provide a hurricane insurance source for homeowners unable to find affordable policies after the market was deserted in the wake of Hurricane Iniki, the fund also serves as a de facto State reserve that has been utilized to help balance the budget in difficult economic times. Authorizing the HPIA to access the HHRF for losses due to volcanic activity could materially deplete the fund and leave the State without its de facto reserve. This could have adverse impacts on the State's credit rating and our ability to bridge temporary gaps in funding due to severe revenue shortfalls.

From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, February 11, 2015 3:36 AM  
To: CPCtestimony  
Cc: mariner472000@yahoo.com  
Subject: Submitted testimony for HB737 on Feb 11, 2015 14:30PM



**HB737**

Submitted on: 2/11/2015

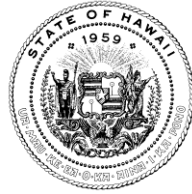
Testimony for CPC on Feb 11, 2015 14:30PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
william miller	Individual	Support	No

Comments: Since the State of Hawaii is allowing insurance companies to not renew homeowner's insurance policies in the Pahoia area, it is only fair that you pick up the insurance burden. The lava is just a very slow moving hurricane. At this particular moment the lava is 500+ yards away from HWY 130 but has stalled for weeks. This gave the insurance companies time to stop insuring homeowners in a wide area, not just in the lava's flow path. People who had been paying insurance for decades were simply told they were no longer insured. How completely unfair is that?

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



DAVID Y. IGE  
GOVERNOR  
SHAN S. TSUTSUI  
LT. GOVERNOR

**STATE OF HAWAII**  
**OFFICE OF THE DIRECTOR**  
**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE  
Regular Session of 2015

Friday, March 6, 2015  
3:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 737, PROPOSED H.D. 2 – RELATING TO  
PROPERTY INSURANCE.**

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

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”),  
testifying on behalf of the Department of Commerce and Consumer Affairs  
(“Department”). The Department supports this bill and provides the following  
comments.

The purpose of this bill is to require the renewal of property insurance in areas of  
Puna where a state of emergency has been declared due to a lava flow threat and the  
lifting of the moratorium on the issuance of new policies in these lava zones. This bill  
also continues to permit insurers to non-renew for nonpayment of premium by a  
policyholder and limits annual nonrenewal to five percent of the total number of covered  
policies of the insurer in force in the lava zones.

Proposed H.D. 2 adds a requirement on page 2, lines 12-15 that, if approved by  
the Commissioner, an insurer may exceed the five percent limit on annual nonrenewal  
as a result of its cancellations or nonrenewals under subsection (b). The Department  
supports this amendment but requests revised language for clarification purposes. The  
Department requests removal of the clause on page 2, lines 12 to 15 that states:

**House Bill No. 737, Proposed H.D. 2**  
**DCCA Testimony of Gordon Ito**  
**Page 2**

“provided that if approved by the commissioner, this five per cent limit may be exceeded by an insurer in any calendar year as a result of cancellations or nonrenewals made pursuant to subsection (b).” In replacement of that clause, the Department requests adding the following sentence to the end of subsection (b): “Cancellations or nonrenewals made pursuant to this subsection are not subject to the five per cent limit on annual nonrenewal set forth in subsection (a).”

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.



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Telephone (808) 525-5877

**Alison H. Ueoka**  
Executive Director

## TESTIMONY OF ALISON UEOKA

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### COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Representative Angus L.K. McKelvey, Chair  
Representative Justin H. Woodson, Vice Chair

Friday, March 6, 2015  
3:00 p.m.

### **HB 737, HD1, PROPOSED HD2**

Chair McKelvey, Vice Chair Woodson, and members of the Committee, my name is Alison Ueoka, 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 thirty-six percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council submits comments on this bill. We support the intent of the bill which is to provide a way for homeowners in the Puna area when under a state of emergency to transact real estate contracts by providing those with prior insurance continuing coverage.

We oppose the language on Page 2 in the new section 431:10E-\_\_\_ Provisions for properties in lava zones in the county of Hawaii, lines 12-15 of the bill because it directly conflicts with following language on the same page in lines 16-17. Lines 12-15 say the insurance commissioner must approve any cancellations or nonrenewals that exceed five percent, however, lines 16-17 say that notwithstanding the above language, insurers can exceed the five percent under certain circumstances. This can be resolved with the following amendment to line 12 of the proposed HD2:

Line 12: insurer in force in that lava zone~~]; provided that if approved by the commissioner, this five per cent limit may be exceeded by an insurer in any calendar year as a result of cancellations or nonrenewals made pursuant to subsection (b)]~~.

For these reasons, we ask that the bill be amended should it move forward. Thank you for the opportunity to testify.