

SB1193

Measure Title: RELATING TO HAWAII PROPERTY INSURANCE ASSOCIATION.

Report Title: HPIA; Policy Renewals; Continued Coverage

Description: Requires member insurers of HPIA to renew policies that were in effect as of 1/1/2014. Provides for continued coverage under an existing HPIA policy upon a transfer in ownership of the property.

Companion:

Package: None

Current Referral: CPN, JDL

Introducer(s): SHIMABUKURO

<u>Sort by Date</u>		Status Text
1/28/2015	S	Introduced.
1/28/2015	S	Passed First Reading.
1/28/2015	S	Referred to CPN, JDL.
1/30/2015	S	The committee(s) on CPN has scheduled a public hearing on 02-03-15 9:00AM in conference room 229.



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
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TO THE SENATE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Tuesday, February 3, 2015
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 1193 – RELATING TO HAWAII PROPERTY
INSURANCE ASSOCIATION.**

TO THE HONORABLE ROSALYN H. BAKER, 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 the intent of the bill and submits the following
comments:

This bill requires member insurers of the Hawaii Property Insurance Association
(“HPIA”) to renew policies that were in effect as of January 1, 2014. The bill also
provides for continued coverage under an existing HPIA policy upon a transfer in
ownership of the property.

Presently, HPIA issues policies in areas beyond the Puna area threatened by the
lava flow. The prohibition of non-renewals may be too broad. The Department would
be willing to work with interested parties to address non-renewals of policies in areas
threatened by a lava flow.

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



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Alison H. Ueoka
Executive Director

TESTIMONY OF ALISON UEOKA

SENATE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Tuesday, February 3, 2015

9:00 a.m.

SB 589, SB 994, SB1193

Chair Baker, Vice Chair Taniguchi, 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 opposes SB 589, SB 994, and SB 1193. These bills address the current situation in Puna where there has been difficulty in placing new insurance while the lava flow is advancing toward homes. The impact of these bills on the property and casualty insurance industry vary from potentially tightening only the property insurance market to possibly tightening the entire property and casualty insurance market.

Hawaii Insurers Council is active in finding a workable solution for both insurers to ensure the property market remains stable and to insureds in Puna regarding insurance coverage while the lava could potentially destroy homes. There are many issues to consider and there are widespread potential consequences to legislative mandates. Some of the issues that HIC are considering follows:

1. If HPIA is allowed to grow unchecked, its losses could exceed the capacity to pay and place the burden first on the insurance industry and then on its policyholders

including non-property policyholders. Because insurers may only recoup losses 2% at a time, there may be large losses insurers will have to front for years. Perhaps limited growth in HPIA is a consideration and a general fund infusion should monies in HPIA be insufficient.

2. If carriers are required to take all comers and keep all policies, there may be a marketplace tightening in all areas of property and casualty insurance throughout the state. Consider allowing insurers to nonrenew at a capped rate.
3. Insurers must be able to underwrite. If an insurer must take any risk regardless of its condition, this creates a significant moral hazard and greatly increases their exposures. Consider continuing to allow all insurers and HPIA to underwrite risks.
4. Every situation in which the exposure for losses is increased for Puna will transfer that exposure to others in Hawaii.

Hawaii Insurers Council stands ready to assist the Legislature in finding a mutual solution. Thank you for this opportunity to testify.

SB1193

Submitted on: 2/2/2015

Testimony for CPN on Feb 3, 2015 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Julia Paul	PAHOA PROPERTIES LLC	Support	No

Comments: Please support this bill. Without insurance for lower Puna you will loose a large portion of your real property tax value hence less tax collection dollars. Lava flow or not this has been the fastest growing area in the state for over 20 years. We can't afford to take a financial hit, not the County of Hawaii nor the homeowners. HPIA was created for this very reason, high risk. Without insurance there will be very little home sales and certainly not expensive homes.

Hawaiian Shores Community Association

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Date: Feb. 2, 2015

To: Senator Rosalyn Baker, Chair
Senator Brian Taniguchi, Vice Chair
Members of the Committee on Commerce and Consumer Protection

From: Hawaiian Shores Community Association
Board of Directors
M. Eileen O'Hara, President

RE: **SB1193** – RELATING TO PROPERTY INSURANCE; Requires member insurers of HPIA to renew policies that were in effect as of 1/1/2014. Provides for continued coverage under an existing HPIA policy upon a transfer in ownership. **Committee on Commerce and Consumer Protection: 2/3/15: 9:00 AM, Rm #229**

Dear Senator Baker, Senator Taniguchi and Committee Members:

Please support the passage of SB1193! The Board of Directors of Hawaiian Shores Community Association (HSCA) represents a subdivision with a well-based public water system (PWS-156) serving 1294 residential lots in lower Puna. We were hard hit by Tropical Storm Iselle on August 7, 2014; losing electricity for two weeks and water service for two days due to lines being damaged by toppled 150' Albizia trees. We are now being threatened by lava, although the initial finger of the June 27, 2014 flow that was marching directly towards our well and mauka portions of our subdivision fortunately stalled on Oct. 30, 2014. The current status of the active flow appears to be headed north of our subdivision, although may impact our community severely should it cross Highway 130. **We have already experienced great economic loss**, first from the hurricane, and now from the impacts of the lava flow.

To date, the June 27th lava flow has only burned one residence mauka of Paho town. Its current path does not directly threaten any of the densely populated subdivisions in lower Puna, yet the whole Puna District has suffered economic harm by being under a moratorium announced by HPIA after the emergency declaration was signed by the Governor on Sept. 4, 2014. The Puna District is larger than the island of Oahu. **The vast majority of the district is not under threat from lava inundation.**

Allowing the publically supported insurance market to place a moratorium on drafting new insurance policies has the domino effect of empowering private insurers to refuse to renew policies in good standing, which they are not prohibited from doing under State law. Several residential owners in our community have received letters from their insurers, some who

have been paying their premiums diligently for as long as 32 years, informing them their policies will not be renewed! **Allowing this situation to continue spells economic death for the District of Puna** which is home to over **20,000 people**. Already, property owners, who need to leave the district due to health impacts from the VOG and air pollution caused by lava fueled fires, have had to sell their properties for less than 50% of the June 2014 value of those properties as without insurance options, only cash sales can occur. This kind of economic loss cannot be easily absorbed by the vast majority of Puna's population where the medium income is less than the State's average household income. Allowing this situation to continue amounts to an economic injustice of great proportion and the potential for litigation against the State or Hawaii.

It is the role of government to intervene in market failures such as this insurance crisis in Puna. **We urge you to do your duty as publically elected officials and instruct HPIA to lift the moratorium.** When insurance companies, whether they be publically supported or private, are allowed to operate in markets only when there is no risk, you create an unlevel playing field. If this insurance issue is not addressed in this 2015 session, the Puna District will empty out faster than a full bucket of water with a hole in the bottom. That exodus will not be due to lava, but due to inaction by our State government and its inability to act smartly and quickly in response to natural disasters.

Please pass this bill and encourage the return of economic vitality to the Puna District on the Big Island!

Mahalo,

M. Eileen O'Hara, Ph.D.

M. Eileen O'Hara, Ph.D. (Natural Resource and Environmental Economics)
President, Board of Directors
Hawaiian Shores Community Assn.

SB1193

Submitted on: 2/2/2015

Testimony for CPN on Feb 3, 2015 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Kim Murphy	Individual	Support	No

Comments:

February 2, 2015

Aloha,

I own property in lower Puna which I may be unable to sell due to the June 27th lava flow situation. My home in lower Puna is a significant part of my retirement plan.... so this situation is extremely concerning. I strongly support this proposal or any other proposal that requires insurers to maintain coverage of existing homes now and for prospective buyers. This includes removal of the moratorium by HPIA on existing dwellings and continued coverage under an existing HPIA policy upon a transfer in ownership of the property. This should do much to stabilize property values in lower Punawhich have been experiencing significant volatility due to the June 27th lava flow. Thank you.

Kim Murphy
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Kurtistown, HI 96760

SB1193

Submitted on: 2/2/2015

Testimony for CPN on Feb 3, 2015 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Susie Osborne	Individual	Support	No

RE: support of SB1193

Aloha

I live in lower Puna and am very concerned about the moratorium by HPIA. Please remove the moratorium by HPIA. This is very concerning. Our community is deeply stressed and affected by the imminent lava conditions.

Thank you for this consideration.

Susie Osborne
Puna Resident
Leilani Subdivision

SB1193

Submitted on: 2/2/2015

Testimony for CPN on Feb 3, 2015 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Kerri Marks	Individual	Support	No

Comments: