
HOUSE CONCURRENT RESOLUTION

REQUESTING THAT THE RISK MANAGEMENT OFFICE OF THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES ASSESS AND REPORT TO THE LEGISLATURE REGARDING THE FEASIBILITY OF A THREE-YEAR PARAMETRIC DISASTER INSURANCE PILOT PROGRAM FOR THE STATE OF HAWAII.

1 WHEREAS, the Legislature finds that Hawaii is highly
2 exposed to natural disasters, and there is a gap between the
3 State's exposure to disasters and its investment in post-
4 disaster financing; and

5
6 WHEREAS, Hawaii currently relies on federal funding from
7 the Federal Emergency Management Agency and the National Flood
8 Insurance Program (NFIP) to support disaster recovery and this
9 limited federal disaster assistance creates a liquidity gap that
10 deepens the potential economic disruption for Hawaii's economy;
11 and

12
13 WHEREAS, the NFIP has itself purchased a risk transfer
14 policy and is looking to expand this coverage through the NFIP
15 2016 Reinsurance Initiative, which is intended "to more actively
16 manage its financial risk... and diversify the tools it uses to
17 manage the financial consequences of its catastrophic flood
18 risk"; and

19
20 WHEREAS, the total losses from a storm making landfall near
21 Waikiki with the same strength as Hurricane Iniki, which hit the
22 State on September 11, 1992, could cost twenty to forty billion
23 dollars in direct economic losses, which represents almost fifty
24 percent of the State's gross domestic product and over three
25 years of total government spending; and

26
27 WHEREAS, if a catastrophic event occurs, the federal
28 government does not have the authority to go beyond providing
29 financial assistance to rebuild public facilities, small
30 temporary housing allowances to families left homeless, and



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1 Small Business Administration loans to rebuild homes and
2 businesses; and

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4 WHEREAS, although some property losses will be covered by
5 personal insurance, the vast majority of losses will fall on the
6 State and county governments, and therefore the taxpayers; and

7
8 WHEREAS, the State is not prepared to absorb tens of
9 billions of dollars in damages and lost tax revenues; and

10
11 WHEREAS, a parametric insurance transfer could move
12 residual risk off the State's budget and onto the private
13 sector; and

14
15 WHEREAS, parametric, or index-based, insurance solutions
16 settle claims on the characteristics of a disaster, as opposed
17 to the loss sustained from the disaster; unlike traditional
18 insurance, parametric solutions do not require lengthy loss
19 adjustment processes, and enable rapid disbursements of payouts
20 to maximize liquidity and allow for flexibility in the use of
21 the proceeds; and

22
23 WHEREAS, the trigger for parametric insurance coverage in
24 Hawaii for a natural disaster could be based on the maximum wind
25 speed of the hurricane as it passes through a specific covered
26 area such as the Ala Wai Watershed; and

27
28 WHEREAS, the establishment of a parametric disaster
29 insurance pilot program could reduce Hawaii's financial exposure
30 and compensate the State based on the physical characteristics
31 of a catastrophic natural disaster; and

32
33 WHEREAS, the payment would not be subject to the
34 limitations faced by federal disaster relief and can be used for
35 any purpose, such as emergency response costs, replacing lost
36 tax revenues, and funding of increased insurance costs; now,
37 therefore,

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39 BE IT RESOLVED by the House of Representatives of the
40 Twenty-ninth Legislature of the State of Hawaii, Regular Session
41 of 2017, the Senate concurring, that the Risk Management Office
42 of the Department of Accounting and General Services is



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1 requested to assess the feasibility of a three-year parametric
2 disaster insurance pilot program for the State of Hawaii
3 financed with the investment income from the Hawaii hurricane
4 relief fund; and

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6 BE IT FURTHER RESOLVED that in assessing the feasibility of
7 such a pilot project, the Risk Management Office is requested to
8 consult with the Ala Wai Watershed Partnership on the
9 opportunities provided by the Ala Wai Watershed as a site for
10 the pilot project, as well as with the Hawaii Emergency
11 Management Agency on how this might function in the event of a
12 catastrophic disaster; and

13
14 BE IT FURTHER RESOLVED that the Risk Management Office is
15 requested to assess the feasibility of:

- 16
17 (1) Establishing a parametric disaster insurance special
18 fund into which may be deposited:
19
20 (A) Interest earned from the principal in the
21 hurricane reserve trust fund as provided under
22 section 431P-16, Hawaii Revised Statutes;
23
24 (B) Monies received from the payout of a parametric
25 disaster insurance policy; and
26
27 (C) Appropriations made by the Legislature to the
28 fund; and
29
30 (2) Using the monies in the parametric disaster insurance
31 special fund to purchase parametric disaster insurance
32 for the State; and
33

34 BE IT FURTHER RESOLVED that the assessment include research
35 into which insurance companies have the most experience with
36 parametrics, work extensively with governments directly, and
37 have long expertise in designing tailored structures using a
38 variety of data sources; and
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40 BE IT FURTHER RESOLVED that the Risk Management Office is
41 requested to submit a report of its findings and
42 recommendations, including any proposed legislation, to the



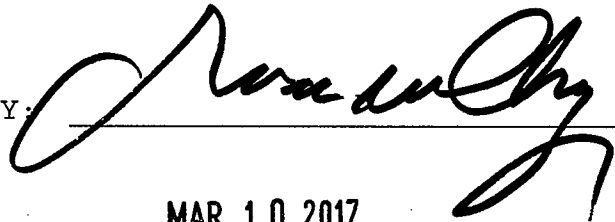
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1 Legislature no later than twenty days prior to the convening of
2 the Regular Session of 2018; and
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4 BE IT FURTHER RESOLVED that certified copies of this
5 Concurrent Resolution be transmitted to the Governor,
6 Comptroller, Major General and Director of the Hawaii Emergency
7 Management Agency, and Chair of the Ala Wai Watershed
8 Partnership.
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OFFERED BY: _____



MAR 10 2017

