

MAR 10 2017

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# SENATE 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



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

3  
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,

38  
39 BE IT RESOLVED by the Senate of the Twenty-ninth  
40 Legislature of the State of Hawaii, Regular Session of 2017, the  
41 House of Representatives concurring, that the Risk Management  
42 Office of the Department of Accounting and General Services is



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

5  
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

39  
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



# S.C.R. NO. 164

1 Legislature no later than twenty days prior to the convening of  
2 the Regular Session of 2018; and

3  
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:

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