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HAWAII



SUZANNE D. CASE
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STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
CONSUMER PROTECTION AND COMMERCE

Tuesday, February 12, 2019
2:00 P.M.

State Capitol, Conference Room 329

In consideration of
HOUSE BILL 1033, HOUSE DRAFT 1
RELATING TO MANDATORY VESSEL INSURANCE COVERAGE

House Bill 1033, House Draft 1 proposes to: (1) Require owners of vessels that are required to register with the State, or that operate a U.S. Coast Guard documented vessel in state waters, to obtain vessel coverage; (2) Specify the types of insurance coverage required; (3) Exempt certain vessels from the mandatory insurance coverage requirement; and (4) Authorize the Chairperson of the Board of Land and Natural Resources to adopt administrative rules concerning mandatory vessel insurance. **The Department Land and Natural Resources (Department) strongly supports this Administration measure and recommends the following amendments.**

Most states, including Hawai'i, require vessel operators to maintain a minimum insurance coverage amount if mooring their boats in a state facility. In 2009, the Department began requiring mandatory insurance coverage as a condition of obtaining a mooring permit for state small boat harbors. Although the number of uninsured vessels has decreased as a result of this requirement, there are still a significant number of vessels that are not required to maintain insurance coverage because they do not hold a mooring permit for a state small boat harbor. Despite not being required to maintain insurance coverage, these vessels may still use launch ramps to access ocean waters and may still operate on waters of the State.

There are currently two other states that have enacted mandatory vessel insurance laws that apply to all recreational vessels being operated on the waters of those states: Arkansas and Utah. In Arkansas, all motorboats more than 50 horsepower and all thrill craft must be covered by a liability insurance policy providing at least \$50,000 of liability coverage. In Arkansas, it is illegal to operate a thrill craft without the required minimum insurance coverage. In Utah, all motorboats 50 horsepower and greater, except airboats, and all thrill craft are required to carry owner's or operator's liability insurance when operated on Utah waters. Utah's boat insurance

policy requires the following minimum coverage amounts: \$25,000 for bodily injury per person; \$50,000 for total bodily injury if multiple people are hurt in the accident; and \$15,000 for property damage. It is illegal to operate a thrill craft on Utah waters without the required minimum insurance coverage.

While Arkansas and Utah aim to mainly address insurance coverage for injuries and property damage, this measure will allow the Department to address injuries, property damage, and the equally important issue of removal costs for grounded and sunken vessels. An insurance policy providing hull removal coverage will ensure coverage in the event of a grounding or sinking, but lack of hull removal coverage results in costs being passed onto the State.

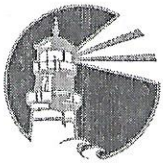
Since 2002, the Department has recorded 373 vessels, either grounded, sunk, or abandoned, that it would have been responsible for. Of those 373 vessels, the Department's Division of Boating and Ocean Recreation (DOBOR) removed 91 vessels and expended \$2,263,440.45 from the boating special fund to address the 91 vessels because the vessels were uninsured.

Requiring owners of all vessels operating in or on the waters of the State to obtain insurance would greatly reduce the resources that the Department must expend to remove a grounded or sunken vessel and ensure the owner's insurance company would pay for the removal. Also, the insurance required by this measure would cover incidents that may occur when utilizing a launch ramp or other state facility. The Department consulted with insurance providers and determined that the average price of insurance coverage that would comply with the requirements of this measure is about \$1,000 annually.

After consultation with the Department of Accounting and General Services, Risk Management Office, the Department recommends that the words "combined single" be removed from Section 2(b) and that the minimum insurance coverage amount be set at \$500,000, so that Section 2(b) reads as follows:

(b) Marine insurance coverage required by this section shall have a limit of not less than \$500,000 per occurrence, in such a form and content as to ensure that removal and salvage of a grounded vessel are covered.

Thank you for the opportunity to testify on this measure.



COMMITTEE ON CONSUMER PROTECTION & COMMERCE

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Rep. Linda Ichiyama, Vice Chair

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NOTICE OF HEARING

DATE: Tuesday, February 12, 2019
TIME: 2:00 p.m.
PLACE: Conference Room 329

TESTIMONY OF THE OCEAN TOURISM COALITION IN SUPPORT OF HB1033, HD1 RELATING TO MANDATORY VESSEL INSURANCE COVERAGE

Chair Takumi, Vice Chair Ichiyama and Members of the CPC Committee:

My name is James E. Coon, President of the Ocean Tourism Coalition (OTC)
Speaking in Support of HB1033,HD1 Relating to Mandatory Vessel Insurance Coverage:

The OTC represents over 300 Ocean Tourism Businesses across the State. All these vessels have at least \$1,000,000 mandatory insurance protecting the State of Hawaii, DLNR/DOBOR.

DOBOR collects its operating revenue from user fees of which our industry pays the most. In addition to our Gross Excise Tax, Commercial Boaters pay 3% of our gross revenue to DOBOR. In light of the continual expense of removing vessels that run aground from various reefs around the State caused by uninsured vessels and that these monies come directly out of the DOBOR Boating Fund which impacts DOBOR's ability to manage and maintain State Boating Facilities, it seems very reasonable to expect any owner of a vessel to be used on State Waters be insured.

We support the intent of HB1033, HD1.

Sincerely,

James E. Coon, President OTC

HB-1033-HD-1

Submitted on: 2/9/2019 9:34:12 AM

Testimony for CPC on 2/12/2019 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Zachary LaPrade	Calypso Charters	Support	No

Comments:

This bill makes sense and the cost to boaters is nominal. Currently, the state is paying the bill for irresponsible boaters.

All car drivers are required to carry insurance, just as boat drivers should carry insurance. The state is spending millions of dollars to repair damage and dispose of boats that aren't insured. That money could be going to improving our derelict harbors. If you engage in an activity that is shared by others, you should be prepared (and willing) to fix anything you break. Many boat owners aren't insured and the state must fix damages caused by uninsured boaters.

Damage to state facilities, pollution, grounded vessels, damage to other boats and damages to ramps are just some of the reasons to require insurance. Many other states require boat insurance, and this measure will allow the Department to address injuries, property damage, and removal costs for grounded and sunken vessels.

Requiring owners of all vessels operating in or on the waters of the State to obtain insurance would greatly reduce the resources that the Department must expend to remove a grounded or sunken vessel and ensure the owner's insurance company would pay for the removal. Also, the insurance required by this measure would cover incidents that may occur when utilizing a launch ramp or other state facility.

This bill makes sense and should be passed.