

JAN 24 2019

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**A BILL FOR AN ACT**

RELATING TO MANDATORY VESSEL INSURANCE COVERAGE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that owning and operating  
2 a recreational vessel can provide many hours of enjoyment and  
3 can be a source of income as well as a way to harvest food from  
4 the ocean. However, there are many responsibilities and  
5 potential hazards that accompany vessel operation, including the  
6 elements, other vessels, and the risk of a vessel grounding or  
7 sinking. Vessels are a serious investment and can create  
8 significant costs in the event of an unexpected accident.

9           Since 2002, the department of land and natural resources,  
10 division of boating and ocean recreation has expended in excess  
11 of \$2.2 million from the boating special fund to address vessels  
12 aground, derelict vessels, and abandoned vessels in waters of  
13 the State. In addition to environmental damage from grounded  
14 vessels, the State sometimes incurs all costs involved in  
15 removing a grounded vessel if the vessel is uninsured. The  
16 State has no way to recoup most of these costs because a  
17 significant number of grounded vessels are uninsured.

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1           Since 2009, the division of boating and ocean recreation  
2 has required mandatory insurance for vessels moored in state  
3 small boat harbors as a condition of obtaining a mooring permit  
4 but has no mechanism for addressing insurance concerns, in  
5 particular, for the numerous trailered vessels that are not  
6 stored on property of the department or in a state facility.

7           The legislature finds that mandatory insurance coverage for  
8 all vessels required to be registered with the State and all  
9 vessels required to be documented by the United States Coast  
10 Guard operating in and on state ocean waters will help to ensure  
11 that in the event of injury to another person, damage to  
12 property, a grounding, or a sinking, the registered boat owner's  
13 insurance policy will be able to remedy any related costs.

14           The purpose of this Act is to require vessel owners  
15 operating a vessel required to be registered with the State or  
16 required to be documented by the United States Coast Guard in or  
17 on the waters of the State to obtain vessel insurance.

18           SECTION 2. Chapter 200, Hawaii Revised Statutes, is  
19 amended by adding a new section to be appropriately designated  
20 and to read as follows:

21           "§200-   Vessel insurance.   (a) All vessel owners who  
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1 operate their vessel in and on state ocean waters shall  
2 obtain marine insurance coverage for the following:

3 (1) A vessel required to be registered pursuant to section  
4 200-31(a); or

5 (2) A vessel being operated in state ocean waters with a  
6 valid documentation number from the United States  
7 Coast Guard.

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

12 (c) A transient vessel, except when moored in state small  
13 boat harbors, offshore mooring areas, or other facilities under  
14 the jurisdiction of the department, shall be exempt from the  
15 marine insurance coverage requirement of this section for no  
16 more than ten business days after arriving in state ocean  
17 waters. "Transient vessel" means any vessel visiting the State  
18 for a period of less than ninety days.

19 (d) The department may adopt rules to carry out the  
20 purpose of this section."

21 SECTION 3. New statutory material is underscored.

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1 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: *Paul D. Hill*

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BY REQUEST

S.B. NO. 1259

**Report Title:**

Mandatory Vessel Insurance; State Small Boat Harbors

**Description:**

Requires vessel owners operating a vessel in and on state ocean waters who are required to be registered with the State or required to be documented by the United States Coast Guard to obtain marine insurance. Specifies the type and minimum amount of marine insurance coverage required. Exempts transient vessels from the marine insurance requirement for no more than ten business days after arriving in state ocean waters. Authorizes the Department of Land and Natural Resources to adopt administrative rules concerning marine insurance.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

## JUSTIFICATION SHEET

DEPARTMENT: Land and Natural Resources

TITLE: A BILL FOR AN ACT RELATING TO MANDATORY VESSEL INSURANCE COVERAGE.

PURPOSE: To require vessel owners operating a vessel in and on state ocean waters who are required to be registered with the State or required to be documented by the United States Coast Guard to obtain marine insurance; to specify the type and minimum amount of marine insurance coverage required; to exempt transient vessels from the marine insurance requirement for no more than ten business days after arriving in state ocean waters; and to authorize the Department to adopt administrative rules concerning marine insurance.

MEANS: Add a new section to chapter 200, Hawaii Revised Statutes (HRS).

JUSTIFICATION: In 2009, the Department began requiring mandatory vessel 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 vessel insurance coverage because they do not hold a mooring permit for a state small boat harbor. Despite not being required to maintain vessel insurance coverage, these vessels may still use launch ramps to access ocean waters and may still operate on waters of the State.

Since 2002, the Department has expended over \$2.2 million from the Boating Special Fund to address vessels aground, derelict vessels, and abandoned vessels in waters of the State. Requiring owners of vessels required to be registered with the State and owners of United States Coast Guard

documented vessels operating in state waters to obtain vessel 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 vessel insurance required by this bill would cover all incidents that may occur when utilizing a launch ramp or other state facility.

Impact on the public: The bill would add a minimal charge to the vessel owner but the vessel insurance coverage could be added onto existing vehicle insurance policies.

Impact on the department and other agencies: The bill would greatly reduce the resources that the Department must expend to remove a grounded or sunken vessel.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: LNR 801.

OTHER AFFECTED  
AGENCIES: Department of Accounting and General  
Services-Risk Management Office.

EFFECTIVE DATE: Upon approval.