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**OFFICE OF THE DIRECTOR**  
**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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DIRECTOR | KA LUNA HO'OKELE

**DEAN I HAZAMA**  
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

**KA 'OIHANA PILI KĀLEPA**  
335 MERCHANT STREET, ROOM 310  
P.O. BOX 541  
HONOLULU, HAWAII 96809  
Phone Number: (808) 586-2850  
Fax Number: (808) 586-2856  
cca.hawaii.gov

**Testimony of the Department of Commerce and Consumer Affairs**

**Before the**  
**House Committee on Consumer Protection and Commerce**  
**Wednesday, January 31, 2024**  
**2:00 p.m.**  
**State Capitol, Conference Room 329 and via videoconference**

**On the following measure:**  
**H.B. 2056, RELATING TO INSURANCE**

Chair Nakashima and Members of the Committee:

My name is Gordon Ito, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department supports the intent of this bill.

The purpose of this bill is to establish the state reinsurance exploratory working group to study the feasibility of establishing a state-run reinsurance program to ensure affordable coverage for property owners against catastrophic events, require a report to the legislature, and appropriate funds.

We support the intent of the bill. We note that there are discussions in Congress to create a reinsurance program.

Thank you for the opportunity to testify on the bill.



 808-733-7060

 1259 A'ala Street, Suite 300  
Honolulu, HI 96817

 808-737-4977

January 31, 2024

**The Honorable Mark Nakashima, Chair**

House Committee on Consumer Protection & Commerce  
State Capitol, Conference Room 329 & Videoconference

**RE: House Bill 2056, Relating to Insurance**

**HEARING: Tuesday, January 31, 2024, at 2:00 p.m.**

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i and its over 11,000 members. HAR **supports** House Bill 2056, which establishes the state reinsurance exploratory working group to study the feasibility of establishing a state run reinsurance program to ensure affordable coverage for property owners against catastrophic events. Requires a report to the legislature. Appropriates funds.

As an island state, Hawai'i has its unique geographical and environmental challenges, including from the recent Maui wildfires, flooding, lava flows, or other natural disasters. Establishing a Working Group to explore the feasibility of state-run insurance coverage is a proactive and strategic approach to help explore mitigating the liabilities faced by private reinsurance companies and, in turn, ensuring affordable coverage for property owners against catastrophic events.

For the foregoing reasons, the Hawai'i Association of REALTORS® supports this measure. Mahalo for the opportunity to testify.



**OPPOSE: Hawaii HB 2056**  
**State Reinsurance Exploratory Working Group**

The Reinsurance Association of America (“RAA”) submits the following comments in opposition to the “State Reinsurance Exploratory Working Group” provisions in HB 2056. The Reinsurance Association of America is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA represents its members before state, federal and international bodies.

While we appreciate the desire to understand the economics of the reinsurance market from the perspective of consumer premium impacts, the RAA does not believe the State Reinsurance Exploratory Working Group act (the “Act”) will result in a proper evaluation of whether a reinsurance catastrophe fund modeled on the Florida Hurricane Catastrophe Fund would be beneficial to Hawaii.

**Reasons for Opposition**

- The working group composition (or its authority to engage creditable experts) is inadequate.
  - The working group needs to be able to engage experts with insurance, reinsurance, catastrophe modeling, reinsurance and banking expertise.
- The premise of study assumes that Hawaii and its consumers are overpaying for their insurance and that self-insuring a portion of the risk will be beneficial to Hawaiians.
  - Insurance is largely a function of mathematics. Premiums are composed of:
    - Expected losses for the coverage period,
    - Expected costs, and
    - A margin for error or profit.
  - Most insurers and reinsurers pool risk from different locales, states and countries to develop a pool or risks that are unlikely to happen simultaneously, and which can collectively pay for all expected losses, costs and a reasonable opportunity for profit.
  - A reinsurance catastrophe fund would self-insure Hawaii’s risks – and it would isolate those risks from the benefits of pooling and diversifying risk globally.
    - Self-insurance is always cheaper than the cost of transferring risk, except when there is a loss.
    - There are many possible structures and components to a reinsurance facility that must be considered.
      - The risk of loss, the cost of debt funding, and the mechanism for retiring debt needs to be considered in relation to realistic loss projections and

probabilities.

- Ultimately, the question is wrong. The right question is whether a reinsurance catastrophe fund is beneficial to Hawaii as a whole and whether there are better alternatives.
  - Until all risks, costs and deficit funding are considered, Hawaii will not know if a reinsurance fund would be beneficial.
  
- Florida's story is not an overwhelming success:
  - The Florida fund has traditionally undercharged for the coverage it offers and had to borrow funds to pay losses after 2004 and 2005 storms. It also taxed all P&C (Property & Casualty) policyholders, including businesses who received no benefit from the fund.
  - It has a relatively small capital base currently, after Hurricane Ian.
  - The legislature is often asked to amend the fund to provide additional subsidies to insurers. The subsidized reinsurance is provided to insurers, not policyholders.
  - Further, Florida continues to have high property insurance rates.
  
- In addition to creating a possible reinsurance facility, the working group should also consider the potential costs of changes to HPIA (Hawaii Property Insurance Association) and HHRF (Hawaii Hurricane Relief Fund) under consideration.
  - It is possible that artificially suppressed insurance premiums could become Hawaii's major budget priority to the exclusion of other competing priorities.

**The study group's charge is premature.**

- The Commissioner and the Insurance Department can gather reports from the Florida Hurricane Catastrophe Fund and from Louisiana, which conducted a study but did not implement a reinsurance catastrophe fund because the risk of loss outweighed the benefits.
- The RAA is willing to assist the Commissioner to identify appropriate reports, resources, and experts to begin the analysis contemplated by the bill. There are free or inexpensive resources that can help with the preliminary analysis.

**Summary**

The RAA believes that the Act is premature and does not provide the appropriate direction to a study group. There are free and relatively inexpensive resources that should be considered as the first step in evaluating private market reinsurance versus government funds. If requested, the RAA commits to help the commissioner identify these resources.

Dennis C. Burke  
Vice President, State Relations  
Reinsurance Association of America

**HB-2056**

Submitted on: 1/30/2024 1:09:14 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Andrea Rosanoff	Individual	Support	Written Testimony Only

Comments:

Thank you for allowing us to testify on this important measure. The high cost of reinsurance back as far as 2014 has created havoc in the HPIA ability to provide affordable property insurance in Puna, Lava zones 1 & 2. The very high, unsustainable costs of property insurance in these areas which are causing instability in the community that the HPIA Statute was created to forestall are only a beacon of Hawaii's future given the unknown insurance costs of climate change facing all of Hawaii. It is a smart move for the State of Hawaii to explore the possibilities of a state supported reinsurance, that could help both Hawaii communities as well as the insurance companies doing business in hawaii. This measure is important to Hawaii's future and should move forward.

**LATE**

**HB-2056**

Submitted on: 1/30/2024 3:29:10 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Janet Marshall	Individual	Support	Written Testimony Only

Comments:

This bill urgently needs to be passed to assist lower income Pahoia residents who are unable to access insurance required by their mortgage companies.

**LATE**

**HB-2056**

Submitted on: 1/30/2024 3:55:57 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Attila C. Denes	Individual	Support	Written Testimony Only

Comments:

Dear Committee on Consumer Protection and Commerce:

As a resident of the Nanawale Estates subdivision in the Puna District of Hawaii Island, I am writing in support of HB2056 related to the establishment of the state reinsurance exploratory working group.

As the Committee is aware, the Hawaii Property Insurance Association (HPIA) this year instituted colossal premium increases for residents of Lava Zone 2 in Lower Puna, and has signalled that massive premium increases on the order of 20-25% can be expected going forward, without end. For residence with mortgages, property insurance is compulsory. The inability to afford these perpetual and substantial premium increases can reasonably be expected to result in people losing their homes, all because the state-created "insurer of last resort" is able to increase premiums at its whim, without recourse.

HPIA has indicated that its rate increases for residents in Lower Puna's Lava Zone 2 are the result of financial losses suffered in the 2018 Lower East Rift Zone eruption of Kilauea. However, we must not lose sight of the fact that this seemingly local issue is, in fact, a matter of statewide concern in the making. Last year's wildfire disaster in Lahaina, and any other future natural disaster on any island, could easily result in commercial insurance companies abandoning their customers in any area of the state, leaving homeowners in those areas at the mercy of HPIA. Exploring the creation of a state-run reinsurance program to ensure the availability of affordable property insurance is an affirmative step that the State Legislature should take to protect the financial future of residents statewide.

Thank you in advance for your thoughtful consideration of this Bill.

/s/ Attila C. Denes, Nanawale Estates subdivision, Puna District, Hawaii County

**LATE**

**HB-2056**

Submitted on: 1/30/2024 6:26:37 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lynn Tyrell	Individual	Support	Written Testimony Only

Comments:

As HPIA are totally unacceptable, I totally approve a working group for a feasibility study. This study needs to be done ASAP as so many are affected by the rates given from HPIA. There are a lot of retired people in our subdivision who are all on fixed incomes. My neighbor and cousin who have been here for a little over 2 years have had their rates increased, I believe twice. I will give you an example of my current rate and the quote received from HPIA for myself and sister-in-law.

My sister-in-law who is a recent widow and only income is less than \$3000 a month, her current premium, which is due to change in April is approximately \$1600 (which includes Hurricane coverage). The quote received from HPA is \$7081, then you add a Hurricane policy (not included) is an additional approx. \$844.00.

My current policy is \$2104.65 (which includes hurricane) and is due to change in August. My HPIA quote is \$5344 with Hurricane coverage of \$844.00.

These are totally unacceptable and unreasonable rates. Something has to be done. Maybe a class action lawsuit should be brought against HPIA. Rates should be fair and reasonable, which these clearly are not.

I don't know what the answer is but a study will work but must be done quickly for something that will work for everyone.



**LATE**

**HB-2056**

Submitted on: 1/30/2024 6:26:51 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ruth Love	Individual	Oppose	Written Testimony Only

Comments:

Part of the reason for the higher charges in the insurance is because people have built in areas very likely to have disasters. If people are discouraged from maintaining homes and businesses in areas that have higher insurance risk, perhaps they will steer away from those areas. I can not see spending taxpayer money to subsidize poor site selection for homes and businesses. I oppose this bill. Thank you

Mrs. Ruth Love

**LATE**

**HB-2056**

Submitted on: 1/30/2024 7:51:41 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lesha Mathes	Individual	Support	Written Testimony Only

Comments:

Rid needs to be done quickly. If something's not done quickly it could destroy the economy of Hawaii Island.

**LATE**

**HB-2056**

Submitted on: 1/30/2024 9:27:35 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Darlene	Individual	Support	Written Testimony Only

Comments:

HPIA says their costs are up due to reinsurance rates. Let's take away that excuse.

**LATE**

**HB-2056**

Submitted on: 1/30/2024 10:43:48 PM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Suzanne Frey	Individual	Support	Written Testimony Only

Comments:

This bill is the beginning to provide help to the residents of Puna. With the Universal Insurance Company, I paid \$1350 per year for complete, total, replacement cost coverage with a \$1000 deductible. This also included hurricane insurance. Now that I have to have HPIA, I am forced to pay more than \$6000 per year for reduced coverage; i.e., depreciated value instead of replacement cost. It also does NOT cover hurricane, so now I have to pay an additional \$500-1000 per year for that coverage. If the state has a program in place to help lower the cost of reinsurance or a subsidy plan to help the insurance companies when they have a loss, it just might incentivize public insurance companies to issue policies in the lava 1 & 2 zones. This would also help HPIA when the premiums collected do not cover the high cost of reinsurance. As it is now, with the extreme cost of HPIA insurance, many homeowners in Puna will lose their homes. Already the housing prices have dropped here by 30%. The houses are sitting much longer on the market. An offer is made on the house, then withdrawn when the potential buyer discovers what insurance costs. It is an untenable situation. As it stands now, we are caught between a rock & a hard place. We can't afford to stay in our homes nor can we afford to move. Please pass HB 2056 to provide some relief for Puna residents.

**LATE**

**HB-2056**

Submitted on: 1/31/2024 8:18:20 AM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Michael Mentnech	Individual	Support	Written Testimony Only

Comments:

Addressing the insurance situation is important. The lack of insurance is not just a homeowner problem , but also a banking problem. Solutions should be explored and inovative solutions presented.

**HB-2056**

Submitted on: 1/31/2024 8:23:58 AM

Testimony for CPC on 1/31/2024 2:00:00 PM



Submitted By	Organization	Testifier Position	Testify
Paul D Crawford	Individual	Support	Written Testimony Only

Comments:

The loss of insurance will finish what the volcano started. HPIA currently is beyond the ability of homeowners to afford. And denying people the right to conduct any business activity on their property under an HIPIA policy is self defeating. One hand of our government is celebrating Revitalize Puna, while the other hand is destroying it. What this will do to the realty industry, is catastrophic.

Paul Crawford

**LATE**

**HB-2056**

Submitted on: 1/31/2024 8:46:00 AM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kenton Christianson	Individual	Support	Written Testimony Only

Comments:

I am a home owner in Hawaiian Beaches, Pahoia HI and my insurance ended on 12/5/23. I am unable to get any home owners insurance on my home except for the state insurance which I was quoted about \$8000.00 dollars. My insurance was previously about \$1700.00 which would be an additional \$525.00 a month increase which I am unable to afford. Right now, I have no insurance and my mortgage company said they are going to put some kind of insurance on it which will only cover the structure and not any of my personal belonging. I have not yet found out how much the insurance will cost that the lender will put on but I was given a likely cost of about \$3500.00 a year. I don't understand why other insurance companies will not insure in my area as only one home in lava zone 2 was lost due to the resent lava flows in Puna. I hope they will be able to come up with a solution that would help the home owners I our area be able to get reasonable cost home owners insurance.

Eileen O'Hara, Ph.D.  
15-2782 Papio Street  
Pahoa, HI 96778

**LATE**

Date: Jan 31, 2024

TO: Consumer Protection and Commerce Committee, Chair Nakashima

RE: Support for HB 2056

Aloha Chair and Committee members,

As you are aware, the property insurance is in a state of disarray with the increase in climate change related events. While the Hawaii Property Insurance Agency (HPIA) was created in 1991 and ONLY focused on lava events on the Big Island using USGS hazard maps as if they were actual risk assessments to discriminate against homeowners and businesses in certain parts of Lava Zones 1 & 2, the reality in 2024 is that most of the State of Hawaii is subject to natural disasters due to impacts of climate change. There have been an increase in fires, floods, droughts, hurricanes, extreme wind events and we're just starting to experience the negative impacts of sea level rise on private properties. On top of those increases we also have earthquakes and tsunamis that can affect multiple islands.

Please take this seriously! We need to take steps now to reshape the HPIA to address these changing conditions. The Big Island isn't the only place subject to natural disasters driven by climate change. The fires on Maui last year resulted in significant loss of life while at the same time, Hawaii County Fire Department was struggling to contain fires in the north end of the island. We need to investigate ways to improve the reinsurance markets to provide equitable relief to all of the state rather than attempt to extract exorbitant insurance fees to live in the Puna district of the Big Island which is now home to ¼ of the island's 200,000+ individuals. Puna is also the only affordable place for many Hawaiian families to locate and raise their families. This bill is one of many floated this year in an attempt to make the changes necessary to keep our population safe while residing in the state. Please support HB 2048.

I submit this testimony as an individual, yet am also the President of one of board of Hawaiian Shores Community Association one of the many subdivisions that are located in Lava Zone 2 with nearly 1,300 residential properties. While we're right on the border of Lava Zones 2 & 3, we are being very adversely impacted by HPIA's practices which have resulted in a rise of annual property insurance policies by anywhere from 4 to 10 times what we previously paid before Universal Property Insurance pulled out of the state. With tens of thousands of people impacted, we need your help to develop an appropriate path forward as many are losing their homes to foreclosure as they can't afford this tremendous increase in insurance policy costs.

Respectfully requesting your support of HB 2056

*Eileen O'Hara*



**LATE**

**HB-2056**

Submitted on: 1/31/2024 11:59:07 AM

Testimony for CPC on 1/31/2024 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Gary Saito	Individual	Support	Written Testimony Only

Comments:

I support this bill