

Honolulu, Hawaii

FEB 29, 2024

RE: H.B. No. 2686
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2686, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE STABILIZATION OF PROPERTY INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Impose a different transient accommodation tax rate for transient vacation rentals and a property insurance surcharge on conveyance tax and use those revenues to capitalize the Hawaii Property Insurance Association (Association) and Hawaii Hurricane Relief Fund (Fund);
- (2) Expand the statutory authorization for the Association to issue property insurance other than fire insurance for certain real properties organized as a condominium and amend the designated geographic area eligible for coverage to specifically include lava zones 1 and 2;
- (3) Require Association member insurers and licensed property and casualty insurers to recoup assessment costs paid into the Association and Fund through a surcharge on premiums;



- (4) Require coverage limits and deductibles, fund capitalization amounts, and assessment percentages for licensed property and casualty insurers to be established in a plan of operation for the Fund, subject to approval by the Insurance Commissioner; and
- (5) Reinstate the special mortgage recording fee to capitalize the Fund.

Your Committee received testimony in support of this measure from the Hawai'i Green Infrastructure Authority; Hawaii Insurers Council; Hawaii Legislative Action Committee Community Associations Institute; Hawaii Financial Services Association; Hawaii Bankers Association; and Hawaii Credit Union League. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs; Department of Taxation; Tax Foundation of Hawaii; Hawai'i Association of REALTORS; Mortgage Bankers Association of Hawaii; and State Farm Mutual Automobile Insurance Company.

Your Committee finds that the Fund is used to provide hurricane property insurance policies in Hawaii in the event they are not available in the private market. However, due to increased availability of hurricane property insurance coverage from the private sector, the Fund ceased writing hurricane property insurance policies in 2000. Your Committee further finds that the existing funding mechanism of the Fund is preferred to capitalize the Fund.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2686, H.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



KYLE T. YAMASHITA, Chair



