

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 3234
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committees on Commerce and Consumer Protection and Energy, Economic Development, and Tourism, to which was referred S.B. No. 3234 entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the laws relating to the Hawaii Hurricane Relief Fund and Hawaii Property Insurance Association;
- (2) Expand the Hawaii Property Insurance Association's authority to include the issuance of property insurance other than fire insurance for certain real properties organized as a condominium;
- (3) Reinstate the special mortgage recording fee;
- (4) Explicitly authorize the Hawaii Property Insurance Association to issue property insurance policies to certain condominiums outside of areas designated for coverage by the Hawaii Property Insurance Association;
- (5) Mandate that the Hawaii Property Insurance Association member insurers recoup assessment costs; and



- (6) Amend specific coverage limits, fund capitalization amounts, and assessment percentages by deleting specified dollar amount percentages and authorize the Hawaii Hurricane Relief Fund and the Hawaii Property Insurance Association boards to recommend appropriate amounts and percentages to the Insurance Commissioner.

Your Committees received testimony in support of this measure from the Hawaii Green Infrastructure Authority, Hawaii Insurers Council, Hawaii Bankers Association, Palehua Townhouse Association, Hawaii First Realty LLC, and one individual.

Your Committees received comments on this measure from the Insurance Division of the Department of Commerce and Consumer Affairs.

Your Committees find that the availability of both condominium building master insurance policies and unit owner insurance policy options within the condominium insurance marketplace has been shrinking, leaving many associations faced with the difficult choice of either paying drastically higher premiums or allowing their condominium buildings to be underinsured. Your Committees further find that temporary government assistance is necessary to help stabilize the property insurance market until market conditions improve and risks become more insurable, as condominiums replace or maintain building components such as aging water pipe systems, and implement equipment and processes to mitigate against fire, wildfire, and hurricane events. Therefore, this measure enables the Hawaii Property Insurance Association and the Hawaii Hurricane Relief Fund to underwrite certain insurance risks in the State that no standard insurer is willing to underwrite.

Your Committees have amended this measure by:

- (1) Clarifying that each property and casualty insurer shall annually recoup assessments paid by the property and casualty insurer under sections 431P-5(b)(8)(A) and (B), and 431P-16(e), Hawaii Revised Statutes (HRS);
- (2) Restoring language in existing law regarding the Hawaii Hurricane Relief Fund's powers to assess insurers



following a loss from a covered event known as the second assessment, including language that:

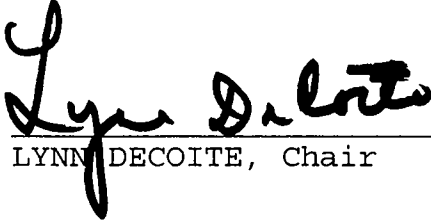
- (A) Allows the Fund to increase the rate of assessment to an amount not to exceed five per cent, and to include the insurer's gross direct written premiums for motor vehicle insurance in this State;
 - (B) Requires the Fund to assess insurers that acted as servicing facilities during the twelve months ending at the start of the month preceding the month in which the covered event occurs at a rate of 1.5 percent of the total coverage provided by the Fund under its hurricane property insurance policies;
 - (C) Sets forth how the second assessment is administered; and
 - (D) Allows certain net accumulated moneys, commitments, and bonds to be used if losses from a covered event exceed the assessment pursuant to section 431P-5(b)(8)(B), HRS, rather than 431P-5(b)(8)(A), HRS; and
- (3) Deleting language that would have placed a cap on the surcharge levied by the Hawaii Hurricane Relief Fund at two percent, and restoring language in existing law that places a cap of seven and one-half percent a year;
 - (4) Inserting an effective date of July 1, 2040, to encourage further discussion; and
 - (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

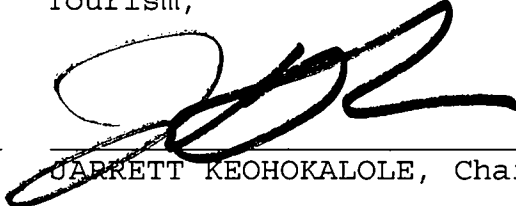
As affirmed by the records of votes of the members of your Committees on Commerce and Consumer Protection and Energy, Economic Development, and Tourism that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3234, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3234,



S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

Respectfully submitted on behalf of the members of the Committees on Commerce and Consumer Protection and Energy, Economic Development, and Tourism,

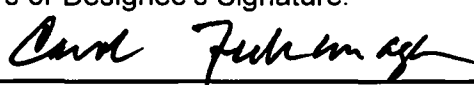

LYNN DECOITE, Chair


JARRETT KEOHOKALOLE, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 3234	CPN/RET, NAM, ADL	2/14/24		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)		✓		
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton	✓			
TOTAL	4	1		
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes

The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

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SB 3234	CPN/EET, WAM/JDC	2-14-24		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DECOITE, Lynn (C)	✓			
WAKAI, Glenn (VC)	✓			
FUKUNAGA, Carol		✓		
KIM, Donna Mercado	✓			
FEVELLA, Kurt				✓
TOTAL	5	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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