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# A BILL FOR AN ACT

RELATING TO THE STABILIZATION OF PROPERTY INSURANCE.

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

1 PART I

2 SECTION 1. The legislature finds that before the wildfire  
3 event in Lahaina, Maui, on August 8, 2023, the availability of  
4 condominium building master property insurance policy options  
5 within the condominium insurance marketplace was already  
6 shrinking. Due in part to the shrinking condominium insurance  
7 marketplace, condominium building master property insurance  
8 policies have increased exponentially, with insurers increasing  
9 deductible amounts from what used to be between \$10,000 to  
10 \$25,000 per unit, per occurrence, to as much as \$250,000. These  
11 increased deductibles are also due to consistent and high-cost  
12 losses.

13 The legislature also finds that while the State has avoided  
14 a direct, major impact from a major hurricane since Hurricane  
15 Iniki devastated Kauai and damaged homes along Oahu's leeward  
16 coast more than thirty years ago, mortgage lenders continue to  
17 require Hawaii homeowners to carry hurricane insurance that can



1 cost two to three times the annual premiums of a conventional  
2 homeowner policy.

3       The legislature further finds that Hawaii Business Magazine  
4 recently reported that generally, a condominium building or  
5 complex carries a master hurricane policy that covers one  
6 hundred per cent of the cost to replace the property--millions  
7 of dollars in many cases. Unfortunately, because insurance  
8 premiums for those policies have recently risen so high, the  
9 president of Insurance Associates estimates that three hundred  
10 seventy-five to three hundred ninety buildings, including new  
11 high-rise towers in Kakaako, Oahu, have opted to renew their  
12 hurricane insurance policies with less than one hundred per cent  
13 hurricane coverage. This practice of reducing coverage is  
14 creating complications and adverse consequences for every person  
15 and entity associated with condominiums in Hawaii, from lenders  
16 and insurance agents to buyers and sellers of condominiums.

17       Furthermore, some condominium associations for older  
18 buildings are forced to obtain property insurance through the  
19 secondary insurance market if they are dropped by the standard  
20 insurers for, among other things, having too many claims. The  
21 president of Insurance Associates reported that more than seven



1 hundred condominium buildings on Oahu alone were built before  
2 1990. These secondary market insurers are not bound by the  
3 State's laws or administrative rules governing rates, so their  
4 prices may be more expensive than those of standard insurance  
5 carriers.

6 To illustrate the difference in insurance premium costs,  
7 the president of Insurance Associates cites the example of one  
8 high-rise condominium in Waikiki in which the condominium  
9 association had been paying an annual insurance premium of  
10 \$235,000 for property and hurricane insurance and had already  
11 been dropped by two of the standard insurance companies when the  
12 third company declined to renew their insurance policy. The  
13 stated reason for the nonrenewal and rejection was that the  
14 building's aging plumbing had not been replaced. As a result,  
15 the condominium association was forced to purchase insurance on  
16 the secondary market, which cost approximately \$1,200,000.

17 The legislature finds that the consequences of  
18 under-insured condominium buildings, including condominium  
19 buildings that lack full hurricane coverage, also impact  
20 individual owners. Today, there are only three insurers writing  
21 hurricane coverage for condominium buildings, one of which is



1 only willing to underwrite \$10,000,000 to \$25,000,000 in  
2 hurricane coverage while underwriting all other coverage up to  
3 the building's value. If a condominium building's insurance  
4 coverage, including hurricane coverage, is below its full value,  
5 the mortgages on individual units within that building would not  
6 meet the underwriting criteria to qualify for purchase through  
7 the federal government's secondary mortgage market, meaning that  
8 these mortgages cannot be sold by financial institutions to  
9 mortgage investor entities, such as the Federal National  
10 Mortgage Association (commonly referred to as Fannie Mae) and  
11 the Federal Home Loan Mortgage Corporation (commonly referred to  
12 as Freddie Mac). Coverage to address this lack of hurricane  
13 insurance coverage options is available from the excess and  
14 surplus lines market, which comprises insurers that are not  
15 licensed in the State; however, some condominium buildings are  
16 unwilling to purchase this coverage because of its high price.  
17 The legislature understands that although this Act authorizes  
18 the Hawaii hurricane relief fund to expand coverage to  
19 condominium buildings, premium rates may be high due to the rise  
20 in the global reinsurance market for hurricane insurance caused  
21 by the frequency and severity of worldwide disasters.



1 In addition, Hawaii Business Magazine has reported that the  
2 2021 collapse of the Surfside condominium building in Miami,  
3 Florida, is also having a ripple effect on condominium lending.  
4 In 2023, Fannie Mae and Freddie Mac made permanent the rules for  
5 condominium lending that were created in the wake of that  
6 disaster and ceased buying loans for buildings or projects that  
7 have put off major repairs--such as replacing old water pipes.  
8 These new lending rules also prohibit the sale of a loan on a  
9 condominium building to Fannie Mae and Freddie Mac if that  
10 building has unfunded repairs totaling more than \$10,000 per  
11 unit.

12 This inability to sell condominium mortgages would require  
13 financial institutions that originated mortgages to retain those  
14 mortgages, thereby lessening their overall financial capacity to  
15 originate more mortgages. Further, the risk of loss if a  
16 hurricane occurs may impair a financial institution's financial  
17 safety and soundness, which would in turn hamper consumers'  
18 abilities to obtain financing to purchase dwellings of their  
19 own.

20 The legislature notes that the wildfire in Lahaina, Maui,  
21 on August 8, 2023, has also impacted the way reinsurers and



1 standard insurers view Hawaii's wildfire risk. The president of  
2 Insurance Associates estimates that while Hawaii has always been  
3 rated for hurricanes for property insurance purposes, it has  
4 never been rated for wildfires. Now that the State has  
5 experienced wildfires, not only in Lahaina, but also in Kula,  
6 West Oahu, and Mililani, parts of all islands will be rated for  
7 wildfires. Moreover, it is surmised that some insurers will not  
8 maintain their current policy-count in the State because of  
9 their increased costs for reinsurance, geographical  
10 concentration of risk, and inadequate rates both pre- and  
11 post-wildfire. Insurers have the financial responsibility to  
12 pay losses, and if reinsurance and premiums are not sufficient  
13 to cover these losses, an insurer needs to reduce their exposure  
14 by restricting new policies, reducing their policy-count, or  
15 both. The legislature recognizes that the price impact on  
16 reinsurance from recent wildfires is not fully known and price  
17 increases may continue into the foreseeable future.

18 The legislature also understands that the market for  
19 reinsurance, the insurance that property and casualty insurance  
20 companies pay to share their risk, is global. Therefore, storms  
21 and other catastrophic losses occurring anywhere in the world



1 may potentially impact the amounts that homeowners and  
2 condominium associations in Hawaii pay for their insurance  
3 coverage.

4       The legislature also acknowledges that although insurance  
5 coverage, excluding hurricane coverage, for condominium  
6 buildings is available in the standard insurance market, the  
7 availability of this coverage is not guaranteed. If this  
8 coverage became unavailable to condominium buildings, then under  
9 this Act, the Hawaii property insurance association would be  
10 authorized to provide this coverage.

11       This Act expands the authority of these State-established  
12 insurance entities to assist in the stabilization of the  
13 property insurance market until risks can be depopulated back to  
14 the standard insurance market when market conditions improve and  
15 risks become more insurable because of building component  
16 replacement or maintenance, or mitigation equipment or protocols  
17 have been implemented for fire, wildfire, or hurricane events.

18       The legislature also recognizes that, although there has  
19 been much focus on the instability of the condominium insurance  
20 market in Hawaii, the broader property insurance industry faces  
21 uncertainty amidst changing economic and regulatory conditions,



1 rising costs, increased reinsurance costs, and more frequent  
2 severe weather events. Given these precarious conditions, it is  
3 possible that a future disaster or other unforeseen circumstance  
4 could cause the availability of insurance to shrink for classes  
5 of real property other than condominiums, including single-  
6 family homes and townhouses.

7 Accordingly, this Act authorizes the Hawaii property  
8 insurance association to provide additional insurance coverage  
9 within the State for certain categories of properties if the  
10 Hawaii property insurance association and insurance commissioner  
11 determine that those categories of properties are experiencing a  
12 casualty and property insurance market failure. This authority  
13 will provide the Hawaii property insurance association with the  
14 flexibility to quickly address potential future disruptions in  
15 the insurance market. This flexibility is critical to ensure  
16 that Hawaii residents living in non-condominium properties such  
17 as single-family homes and townhouses are protected following  
18 unexpected disasters that could otherwise increase the cost of  
19 insurance to the point where residents cannot afford to continue  
20 living in their homes or in the State.





1       The legislature believes that it is critical to begin the  
2 process to adequately capitalize the Hawaii property insurance  
3 association and Hawaii hurricane relief fund because insuring  
4 these risks could bring an enormous amount of risk exposure to  
5 the funds. Therefore, funding mechanisms must be broad on an  
6 initial and ongoing basis and spread among as many parties  
7 involved in real property transactions within the State as  
8 possible to ensure that the financial impacts are apportioned as  
9 equitably as practicable, and that reserve funds are adequately  
10 capitalized if losses exceed the funds' capacities.

11       In the past, the Hawaii hurricane relief fund was funded in  
12 part through the special mortgage recording fee, which was  
13 imposed on each mortgage recorded with the bureau of  
14 conveyances. The legislature recognizes concerns that the  
15 special mortgage recording fee is regressive because homebuyers  
16 who need to finance more of their purchase price are assessed  
17 proportionally more than buyers who need to finance less or who  
18 can afford to complete their purchase using cash.

19       Therefore, this Act repeals the special mortgage recording  
20 fee and instead authorizes the Hawaii hurricane relief fund  
21 board of directors to establish a temporary recording fee, which



1 will be imposed as a flat assessment on each document that is  
2 recorded with the bureau of conveyances or filed with the  
3 assistant registrar of the land court of the State, as  
4 appropriate. This fee, if activated by the Hawaii hurricane  
5 relief fund, is intended to be a temporary funding mechanism  
6 that will spread costs out in a way that will reduce the  
7 regressive financial impact imposed on individuals and families  
8 who can only afford to purchase a residential dwelling by  
9 financing the purchase. If the Hawaii hurricane relief fund  
10 board of directors determines that the fee revenue is no longer  
11 required, this Act allows the board to terminate collection of  
12 the fee without seeking legislative action.

13 This Act provides additional funding mechanisms through  
14 the:

- 15 (1) Appropriation of general funds for the Hawaii property  
16 insurance association; and
- 17 (2) Option for the Hawaii hurricane relief fund to  
18 reactivate the assessment of insurers at an assessment  
19 rate determined by the Hawaii hurricane relief fund's  
20 board of directors to augment the capitalization of  
21 the Hawaii hurricane relief fund.



1 The legislature finds that this Act is necessary to:

- 2 (1) Stabilize the property insurance market so that  
3 insurers continue to insure properties in the State;  
4 (2) Ensure access to adequate property insurance for  
5 certain properties located within the State to allow  
6 lenders to finance mortgages that meet the  
7 requirements of the secondary mortgage market; and  
8 (3) Serve an important public purpose.

9 This Act is a stop-gap measure to provide insurance  
10 availability for condominium associations that are unable to  
11 purchase adequate property insurance for their respective  
12 condominium buildings that are in insurable condition.  
13 Condominium associations that apply for coverage through the  
14 Hawaii property insurance association will need to pay premiums  
15 that are sufficient to cover the condominium association's  
16 exposure to losses. This measure is not designed to be a  
17 long-term solution, and therefore the legislature has imposed a  
18 one-time five-year coverage period and commissioned a study to  
19 recommend long-term solutions to stabilize the property  
20 insurance market in the State. To that end, in addition to  
21 providing for the issuance of short-term property insurance



1 coverage, this Act also effectively requires the insurance  
2 commissioner to conduct a study to develop a long-term solution.  
3 The legislature notes that a long-term solution may potentially  
4 include the issuance of property insurance policies for  
5 condominium buildings that are in need of repair or replacement  
6 of components.

7 Accordingly, the purpose of this Act is to:

- 8 (1) Amend state laws governing the Hawaii property  
9 insurance association and the Hawaii hurricane relief  
10 fund to enable these entities to underwrite certain  
11 insurance risks in the State that no standard insurer  
12 is currently willing to underwrite;
- 13 (2) Appropriate funds as a loan to the Hawaii property  
14 insurance association; and
- 15 (3) Require the insurance commissioner to conduct a study  
16 to monitor and identify the most effective methods of  
17 stabilizing the property insurance market in the  
18 State.

19 PART II

20 SECTION 2. Section 431:21-102, Hawaii Revised Statutes, is  
21 amended by adding three new definitions to be appropriately



1 inserted and to read as follows:

2 "Condominium" means real property that:

3 (1) Has a condominium association that is registered with  
4 the real estate commission in accordance with chapter  
5 514B, part VI;

6 (2) Consists of units as defined in section 514B-3;

7 (3) Is used primarily for residential purposes; and

8 (4) Is in insurable condition as determined by the  
9 association's board of directors.

10 "High-rise condominium" means a condominium that has four  
11 or more stories that contain units that are or can be occupied  
12 by a person.

13 "Property insurance" means policies, riders, or  
14 endorsements of insurance that provide indemnity, in whole or in  
15 part, for the loss, destruction, or damage of property and  
16 against legal liability for the death, injury, or disability of  
17 any human being, or from damage to property. "Property  
18 insurance" does not include any indemnity for loss, destruction,  
19 damage of property, or death, injury, or disability of any human  
20 being, or from damage to property, caused by a hurricane."



SECTION 3. Section 431:21-105, Hawaii Revised Statutes, is amended to read as follows:

**"§431:21-105 Powers and duties of the association. (a)**

In addition to any other requirements imposed by law, the association shall:

(1) Formulate and administer a plan of operation to insure persons having an insurable interest in real or tangible personal property in ~~[the]~~ an area designated by the commissioner;

(2) Establish in the plan of operation a maximum period of time during which a high-rise condominium association may be eligible to be insured by the association, which shall not exceed sixty months;

~~[-(2)-]~~ (3) Reimburse each servicing facility for obligations of the association paid by the facility and for expenses incurred by the facility while processing applications and servicing policies on behalf of the association; and

~~[-(3)-]~~ (4) Collect and maintain statistical information and other information required by the commissioner.



1 (b) In addition to any other powers allowed by law, the  
2 association may:

3 (1) Add additional insurance coverages with the approval  
4 of the commissioner, including coverage for commercial  
5 risks up to the limits of coverage [~~for residential~~  
6 ~~risks~~] as set forth in the plan of operation;

7 (2) Employ or retain persons as are necessary to perform  
8 the duties of the association;

9 (3) Contract with a member insurer to perform the duties  
10 of the association;

11 (4) Sue or be sued;

12 (5) Borrow funds necessary to effectuate the purposes of  
13 this article in accord with the plan of operation;

14 (6) If approved by the commissioner, [~~assess~~] activate,  
15 reduce, or terminate the collection of an assessment  
16 on member insurers in amounts necessary to cover  
17 extraordinary losses incurred by the association[~~-~~];  
18 provided that:

19 (A) Each member insurer shall be notified of the  
20 assessment [~~not~~] no later than thirty days before  
21 it is due[~~-~~];



1        (B) The association, subject to the approval of the  
2        commissioner, may set the amount of the  
3        assessment; provided further that:

4        (i) No member insurer may be assessed in any  
5        year an amount greater than two per cent of  
6        that member insurer's net direct written  
7        premiums for the preceding calendar year[-];  
8        and

9        (ii) The association may at any time reduce the  
10       amount of the assessment;

11       (C) The association, subject to the approval of the  
12       commissioner, may establish the period of time  
13       during which the assessment shall be collected;  
14       provided that the time period shall not  
15       exceed        months; provided further that the  
16       association at any time may terminate the  
17       collection of the assessment; and

18       (D) The association may exempt or defer, in whole or  
19       in part, the assessment of any member insurer if  
20       the assessment would cause the member insurer's  
21       financial statement to reflect amounts of capital





1 or surplus less than the minimum amounts required  
2 for a certificate of authority by any  
3 jurisdiction in which the member insurer is  
4 authorized to transact business;

5 (7) Devise a method to give credit to member insurers [~~for~~  
6 ~~homeowners and fire insurance policies individually~~  
7 ~~underwritten on risks located in the area designated~~  
8 ~~for coverage by the association;~~] as set forth in the  
9 plan of operation;

10 (8) Negotiate and become a party to contracts as are  
11 necessary to carry out the purposes of this article;  
12 [and]

13 (9) Establish outside the state treasury a reserve trust  
14 fund and any accounts thereunder and any other trust  
15 fund or account necessary to carry out the purposes of  
16 this article. Moneys deposited in the reserve trust  
17 fund and any accounts thereunder or any other trust  
18 fund or account established by the association shall  
19 be held by the association, as trustee, in a  
20 depository as defined in section 38-1 or according to  
21 a similar arrangement at the discretion of the board



1 of directors, including but not limited to trust or  
2 custodial accounts created for the benefit of the  
3 fund's secured parties under contractual claims  
4 financing arrangements. These moneys may be invested  
5 and reinvested in accordance with the plan of  
6 operation. Disbursements from the trust funds shall  
7 not be subject to chapter 103D and shall be made in  
8 accordance with procedures adopted by the board of  
9 directors;

10 (10) Receive moneys for deposit into a trust fund or  
11 account from the revenues received from sources of  
12 revenue available to the board of directors; and

13 ~~[(9)]~~ (11) Perform all other acts as are necessary or  
14 proper to effectuate the purpose of this article."

15 SECTION 4. Section 431:21-106, Hawaii Revised Statutes, is  
16 amended as follows:

17 1. By amending subsection (a) to read:

18 "(a) The association shall submit to the commissioner a  
19 plan of operation and any amendments to the plan necessary or  
20 suitable to ~~[assure]~~ ensure the fair, reasonable, and equitable  
21 administration of the association. The plan of operation and



1 any amendment shall become effective upon approval in writing by  
2 the commissioner. If the association fails to submit a suitable  
3 plan of operation or if at any time the association fails to  
4 submit suitable amendments to the plan, the commissioner shall  
5 adopt the rules necessary to carry out this article. The rules  
6 shall continue in force until modified by the commissioner or  
7 superseded by a plan submitted by the association and approved  
8 in writing by the commissioner."

9 2. By amending subsection (c) to read:

10 "(c) The plan of operation [~~shall~~]:

11 (1) [~~Establish~~] Shall establish procedures for performance  
12 of all the powers and duties of the association under  
13 section 431:21-105;

14 (2) [~~Establish~~] Shall establish maximum limits of  
15 liability to be placed through the association;

16 (3) [~~Establish~~] Shall establish reasonable underwriting  
17 standards for determining insurability of a risk  
18 [~~which~~] that are comparable to the standards used to  
19 determine insurability of a risk located outside the  
20 area designated by the commissioner as eligible for  
21 association coverage;



1       (4)   ~~[Establish]~~ Shall establish a schedule of deductibles,  
2           if appropriate;

3       (5)   Shall establish a maximum period of time during which  
4           a high-rise condominium may be eligible to be insured  
5           by the association, which shall not exceed sixty  
6           months;

7       ~~[-(5)- Establish]~~ (6)   Shall establish the commission to be  
8           paid to licensed producers;

9       ~~[-(6)- Establish]~~ (7)   Shall establish the rates to be  
10          charged for the insurance coverages, so that the total  
11          premium income from all association policies, when  
12          combined with the investment income, shall annually  
13          fund the administration of the association. The  
14          administration of the association shall include the  
15          expenses incurred in processing applications,  
16          conducting inspections, issuing and servicing  
17          policies, paying commissions, and paying claims, but  
18          shall not include assessments approved by the  
19          commissioner;

20       ~~[-(7)- Establish]~~ (8)   Shall establish the manner and scope  
21          of the inspection and the form of the inspection



1 report. The inspection guidelines may include setting  
2 minimum conditions the property must meet before an  
3 inspection is required;

4 ~~[-(8) Establish]~~ (9) Shall establish procedures whereby  
5 selections for the board of directors will be  
6 submitted to the commissioner for the commissioner's  
7 information;

8 ~~[-(9) Establish]~~ (10) Shall establish procedures for  
9 records to be kept of all financial transactions of  
10 the association, its producers, and its board of  
11 directors;

12 ~~[-(10) Establish]~~ (11) Shall establish procedures by which  
13 applications will be received and serviced by the  
14 association;

15 ~~[-(11) Establish]~~ (12) Shall establish guidelines for the  
16 investigation and payment of claims; ~~[and~~

17 ~~-(12) Establish]~~ (13) Shall establish procedures whereby  
18 the association may assume and cede reinsurance on  
19 risks written through the association~~[-]~~;

20 (14) Shall include the following:



- 1           (A) Coverage forms, endorsements, limits, and  
2           deductibles for the covered condominium; provided  
3           that the association may categorize these forms,  
4           endorsements, limits, and deductibles by the type  
5           of peril being covered;
- 6           (B) Rate tiers, including potential high deductible  
7           options and surcharges for condominiums that  
8           remain in the plan of operation;
- 9           (C) Provisions authorizing the association to decline  
10          providing coverage;
- 11          (D) Potential annual premium rate increases; and
- 12          (E) Establishment of adequate rates to avoid  
13          assessment of the voluntary market;
- 14          (15) Shall require, prior to issuance or renewal of  
15          coverage, the applicant for condominium property  
16          insurance coverage or renewal to:
- 17          (A) Provide the following to the association:
- 18               (i) The condominium association's declarations,  
19               bylaws, or other documents that describe the  
20               condominium association's process for paying  
21               claims, including the portion of the claim



1                   to be paid by the condominium association  
2                   and the portion to be paid by each unit  
3                   owner; and

4           (ii)   The condominium association's declarations,  
5                   bylaws, or other documents that describe the  
6                   condominium association's process for  
7                   handling losses both pursuant to the  
8                   applicable master policy and by the  
9                   applicable condominium association;

10          (B)   Cause to be completed an inspection of the  
11                   applicable condominium; provided that the  
12                   inspection shall be consistent with any  
13                   inspection and reporting standards established by  
14                   the board of directors of the association and  
15                   incorporated into the plan of operation pursuant  
16                   to paragraph (8); and

17          (C)   Satisfy any relevant requirements established by  
18                   the board of directors of the association and  
19                   incorporated into the plan of operation;

20          (16)   May prohibit coverage under this article for any  
21                   high-rise condominium for which the association or its



1 servicing entities or any agents thereof have  
2 identified maintenance issues that materially affect  
3 the insurability of the high-rise condominium for the  
4 type of coverage being sought; and  
5 (17) Shall adopt procedures, guidelines, installment  
6 amounts, and a timetable for the repayment of any  
7 general fund moneys that are loaned to sufficiently  
8 capitalize the reserve trust fund established pursuant  
9 to section 431:21-105(b) (9) and deposited into the  
10 separate account within the reserve trust fund;  
11 provided that the repayment shall not commence until  
12 the reserve trust fund is sufficiently capitalized as  
13 determined by the board of directors."

14 SECTION 5. Section 431:21-107, Hawaii Revised Statutes, is  
15 amended to read as follows:

16 "[~~§~~431:21-107[~~]~~ ~~Designation of area.~~] Coverage  
17 eligibility. (a) After consultation with representatives of  
18 the United States Geological Survey, the state department of  
19 defense, and the county in which the area is located, the  
20 commissioner shall designate the geographical area eligible for  
21 coverage in lava zones 1 and 2 through the association. Those





1 properties in the designated area that meet the standards set  
2 forth in the plan of operation shall be provided insurance  
3 through the association.

4 For the purposes of this subsection, "lava zones 1 and 2"  
5 means the two zones designated on the United States Geological  
6 Survey's lava flow hazard zone map that are the most hazardous  
7 and includes volcanic vents in the summits and rift zones of the  
8 two most active volcanoes within the State.

9 (b) A condominium association registered under chapter  
10 514B, part VI, having an insurable interest in real or tangible  
11 property that is a condominium that is subject to this chapter,  
12 located within the State, and that meets the criteria and  
13 requirements set forth in the plan of operation, may be provided  
14 property insurance through the association.

15 (c) Additional insurance coverages may be provided  
16 statewide, including but not limited to single-family  
17 residences, townhouses, or any other categories of property for  
18 which the insurance market is experiencing a failure of the  
19 casualty and property insurance market, as determined by the  
20 association and approved by the commissioner."



SECTION 6. Section 431:21-109, Hawaii Revised Statutes, is amended to read as follows:

**"§431:21-109 Insurance coverages available under plan.**

~~[(a)]~~ All properties qualifying for coverage under the plan of operation shall be eligible for the standard fire policy and extended coverage endorsement. The association shall provide additional coverages when directed by the commissioner or when approved by the commissioner. Nothing in this section shall be construed as authorizing the association to provide hurricane coverage.

~~[(b) At the written request of any person who is, or is attempting to become, a mortgagor on real property that qualifies for coverage under the plan of operation, the association shall provide coverage for an amount not less than the amount of the mortgage obligation, but no greater than the value of the property being insured; provided that it does not exceed the limits of the plan. The policy shall name the intended mortgagee as the beneficiary for the amount equal to the outstanding balance on the mortgage.]~~

~~[(c) In the application of subsection (b), the amount covered under the policy shall comply with article 10E.]~~"



SECTION 7. Section 431:21-115, Hawaii Revised Statutes, is amended to read as follows:

"[+]§431:21-115[] ~~Credits for~~ Recoupment of assessments

~~paid. [A member insurer may offset against its premium tax~~

~~liability to this State an assessment made with the~~

~~commissioner's approval to the extent of twenty per cent of the~~

~~amount of the assessment for each of the five calendar years~~

~~following the year in which the assessment was paid. In the~~

~~event a member insurer should cease doing business in this~~

~~State, all uncredited assessments may be credited against its~~

~~premium tax liability for the year it ceases doing business.]~~

(a) Each member insurer shall annually recoup assessments paid

by the member insurer under section 431:21-105(b)(6). The

recoupment shall be recovered by means of a surcharge on

premiums charged by the member insurer for property and casualty

insurance, not including motor vehicle insurance. Any excess

recovery by a member insurer shall be credited pro rata to that

member insurer's policyholders' premiums in the succeeding year

unless there has been a subsequent assessment, in which case the

excess shall be used to pay the amount of the subsequent



1 assessment. A member insurer may continue to surcharge premiums  
2 until the full assessments are recouped.

3 (b) The surcharge required under subsection (a) shall be  
4 established by the association and shall not exceed two per cent  
5 of the total premiums charged for each policy by the member  
6 insurer.

7 (c) Each member insurer shall provide to the association  
8 an accounting of its recoupments. The association shall compile  
9 the member insurers' accountings and submit the accounting as  
10 part of the association's annual report to the commissioner.

11 (d) The amount of and reason for any surcharge shall be  
12 separately stated on any billing sent to an insured. The  
13 surcharge shall not be considered premiums for any other  
14 purpose, including the computation of gross premium tax or the  
15 determination of producer commissions."

16 PART III

17 SECTION 8. Chapter 431P, Hawaii Revised Statutes, is  
18 amended by adding two new sections to be appropriately  
19 designated and to read as follows:

20 **"§431P-A Recoupment of assessments paid. (a) Each**  
21 **licensed property and casualty insurer shall annually recoup**



assessments paid by the licensed property and casualty insurer  
under sections 431P-5(b)(8)(A) and (B) and 431P-16(d). The  
recoupment shall be recovered by means of a surcharge on  
premiums charged by the licensed property and casualty insurer  
for policies on which the assessment was made. Any excess  
recovery by a licensed property and casualty insurer shall be  
credited pro rata to that insurer's policyholder's premiums in  
the succeeding year unless there has been a subsequent  
assessment, in which case the excess shall be used to pay the  
amount of the subsequent assessment. A licensed property and  
casualty insurer may continue to collect a surcharge on premiums  
until the full assessments are recouped.

(b) The surcharge required under subsection (a) shall be  
the same percentage of the total premiums charged for each  
policy assessed under sections 431P-5(b)(8)(A) and (B) and 431P-  
16(d).

(c) Each licensed property and casualty insurer shall  
provide to the fund an accounting of its recoupments. The fund  
shall compile the licensed property and casualty insurers'  
accountings and submit the accountings as part of the fund's  
annual report to the commissioner.



1        (d) The amount of and reason for any surcharge shall be  
2        separately stated on any billing sent to an insured. The  
3        surcharge shall not be considered a premium for any other  
4        purpose, including the computation of gross premium tax or the  
5        determination of producer commissions.

6        **§431P-B Temporary recording fee; establishment, reduction,**  
7        **and cessation by board.**    (a) The board may activate, reduce, or  
8        terminate the collection of a temporary recording fee as  
9        provided in this section.

10       (b) The temporary recording fee shall be imposed on each  
11       document that is recorded with the bureau of conveyances or  
12       filed with the assistant registrar of the land court of the  
13       State.

14       (c) If the board establishes or reactivates the temporary  
15       recording fee, the board shall:

16       (1) Set the amount of the fee; provided that the amount  
17       shall not exceed \$                      per document recorded  
18       with the bureau of conveyances or filed with the  
19       assistant registrar of the land court of the State;  
20       and



1       (2) Establish the period of time during which the fee  
2       shall be collected; provided that the time period  
3       shall not exceed        months.

4       (d) The temporary recording fee shall not apply to  
5       documents recorded or filed for parcels in the agricultural land  
6       use district pursuant to section 205-2.

7       (e) Notwithstanding the amount or time period established  
8       under subsection (c)(1) or (2), the board at any time may:

9       (1) Reduce the amount of the temporary recording fee; or

10       (2) Terminate the collection of the temporary recording  
11       fee.

12       (f) The temporary recording fee shall be submitted to and  
13       collected by the bureau of conveyances or the assistant  
14       registrar of the land court of the State. All proceeds realized  
15       from the collection of the fee shall be deposited into a  
16       separate account of the hurricane reserve trust fund.

17       (g) The temporary recording fee shall be in addition to  
18       any applicable fees under chapter 501 or 502."

19       SECTION 9. Section 431P-1, Hawaii Revised Statutes, is  
20       amended as follows:



1 1. By adding two new definitions to be appropriately  
2 inserted and to read:

3 "Condominium" means real property that:

4 (1) Has an association registered with the real estate

5 commission in accordance with chapter 514B, part VI;

6 (2) Consists of units as defined in section 514B-3;

7 (3) Is used for residential purposes; and

8 (4) Is in insurable condition as determined by the board.

9 "High-rise condominium" means a condominium that has four  
10 or more stories that contain units that are or can be occupied  
11 by a person."

12 2. By amending the definition of "eligible property" to  
13 read:

14 "Eligible property" means:

15 (1) Real property [~~of one to four units~~] used for

16 residential purposes and [~~which~~] that is in insurable

17 condition, and [~~which~~] that may include tangible

18 personal property located therein or thereon and other

19 structures at the insured location, as provided in the

20 plan of operation or any manual of rules and rates

21 adopted under the plan of operation;





- 1           (2) Real property used for business, commercial, or  
2           industrial purposes [~~which~~] that is in insurable  
3           condition, and [~~which~~] that may include tangible  
4           personal property located therein or thereon, as  
5           provided in the plan of operation or any manual of  
6           rules and rates adopted under the plan of operation;  
7           (3) Tangible personal property owned by an occupant of and  
8           located in or on real property of the types described  
9           in paragraph (1), as provided in the plan of operation  
10          or any manual of rules and rates adopted under the  
11          plan of operation; provided that the owner of the  
12          tangible personal property does not own the real  
13          property in or [~~on~~] upon which the tangible personal  
14          property is located; [~~and~~]  
15          (4) Tangible personal property owned by an occupant of and  
16          located in or on real property of the types described  
17          in paragraph (2) as provided in the plan of operation  
18          or any manual of rules and rates adopted under the  
19          plan of operation; provided that the owner of the  
20          tangible personal property does not own the real



1 property in or ~~[on]~~ upon which the tangible personal  
2 property is located~~[-]~~; and

3 (5) A condominium that may include tangible personal  
4 property located therein or thereon and other  
5 structures at the insured location, as provided in the  
6 plan of operation or any manual of rules and rates  
7 adopted under the plan of operation."

8 3. By amending the definition of "licensed property and  
9 casualty insurer" to read:

10 ""Licensed property and casualty insurer" means~~[-]~~

11 ~~(1) Any~~ any insurer licensed to transact any one or more  
12 classes of insurance authorized in section 431:3-204  
13 where premiums written within ~~[such]~~ the authority are  
14 required to be reported in the "Exhibit of Premiums  
15 and Losses" for this State in the National Association  
16 of Insurance Commissioners fire and casualty annual  
17 statement convention blank that is required to be  
18 filed with the commissioner under section 431:3-302~~[-]~~  
19 and

20 ~~(2) The Hawaii Property Insurance Association created in~~  
21 ~~article 21 of chapter 431]."~~



1           4. By amending the definition of "policy of hurricane  
2 property insurance" to read:

3           ""Policy of hurricane property insurance" means a policy or  
4 endorsement of insurance issued by the fund insuring only  
5 against damage or loss to eligible property caused by a covered  
6 event [~~in excess of the deductible and up to:~~

7           ~~(1) \$750,000 per risk on real property of one to four  
8 units used for residential purposes and the personal  
9 property located therein or thereon and other  
10 structures at the insured location, subject to the  
11 limits defined by the plan of operation or any manual  
12 of rules and rates adopted under the plan of  
13 operation; and~~

14           ~~(2) \$500,000 per risk on real and personal property used  
15 for business, commercial, or industrial purposes,  
16 subject to the limits defined by the plan of operation  
17 or any manual of rules and rates adopted under the  
18 plan of operation;~~

19 ~~provided that the board may designate an association of property  
20 owners or cooperative housing corporation to be a commercial  
21 risk; provided that this policy or endorsement shall not include~~



~~coverage for business interruption and other similar coverages.], subject to the limits and deductibles allowed by the plan of operation or any manual of rules and rates adopted under the plan of operation."~~

SECTION 10. Section 431P-2, Hawaii Revised Statutes, is amended to read as follows:

**"[+]§431P-2[+] Establishment of Hawaii hurricane relief fund.** There shall be a Hawaii hurricane relief fund to be placed within the department of commerce and consumer affairs for administrative purposes. The fund shall be a public body and a body corporate and politic. Any applicant for insurance from the fund shall provide proof, to the satisfaction of the board, of the inability to obtain hurricane property insurance from insurers licensed to transact business in the State."

SECTION 11. Section 431P-5, Hawaii Revised Statutes, is amended to read as follows:

**"§431P-5 Powers, duties, and functions.** (a) The Hawaii hurricane relief fund shall have the following general powers:

(1) To sue and be sued;

(2) To make and alter policies for its organization and internal administration;



- 1           (3) To adopt rules in accordance with chapter 91 to  
2           effectuate the purposes of this chapter;
- 3           (4) To borrow moneys, including but not limited to moneys  
4           from [~~state or~~] federal or state sources and to issue  
5           notes or other obligations of the fund for the  
6           purposes of providing funds for any of its purposes as  
7           authorized by the legislature from time to time;
- 8           (5) To pledge, assign, or grant a security interest in all  
9           or any part of the moneys, rents, charges,  
10          assessments, or other revenue and any proceeds thereof  
11          derived by the fund; provided that any pledge,  
12          assignment, or grant of security interest shall  
13          constitute a lien and security interest on [~~such~~] the  
14          money, rents, charges, assessments, or other revenue,  
15          and any proceeds thereof to the extent and with the  
16          priority set forth in the document establishing the  
17          pledge, assignment, or security interest, without the  
18          necessity for physical delivery, recording, or further  
19          act; and provided further that in effectuating any  
20          pledge, assignment, or grant of security interest, the  
21          fund may do either or both of the following:



1 (A) Transfer possession of collateral to its secured  
2 parties; or

3 (B) Execute and cause to be filed at the bureau of  
4 conveyances of the State of Hawaii, Uniform  
5 Commercial Code financing statements for the  
6 purpose of providing notice to third parties of a  
7 pledge, assignment, or grant of security  
8 interest; provided that any failure to file a  
9 financing statement or the filing of a financing  
10 statement that contains incomplete or inaccurate  
11 information shall not affect the perfected lien  
12 and security interest of the pledge, assignment,  
13 or grant of security interest; and

14 (6) Enter into contracts as necessary to effectuate the  
15 purposes of this chapter.

16 (b) In addition to the general powers under subsection

17 (a), the fund shall have the specific power to:

18 (1) Adopt and administer a plan of operation in accordance  
19 with section 431P-7, and a manual of rules and rates  
20 to provide persons having an insurable interest in



1 eligible property with insurance coverage provided by  
2 the fund;

3 (2) Authorize the provision of hurricane coverage by the  
4 fund for real property and tangible personal property  
5 located in or on real property and establish limits of  
6 liability for specific coverages within the range of  
7 authorized coverage;

8 (3) Adopt actuarially sound rates based on reasonable  
9 assumptions relative to expectations of hurricane  
10 frequency and severity for all coverage provided under  
11 policies or endorsements issued by the fund. Rates  
12 adopted shall be subject to approval by the  
13 commissioner pursuant to article 14 of chapter 431.  
14 Rates adopted shall provide for classification of  
15 risks and shall include past and prospective losses  
16 and expense experience in this State;

17 (4) Adopt procedures, guidelines, and surcharges  
18 applicable to policies of hurricane property insurance  
19 issued in connection with an underlying property  
20 policy issued by an unauthorized insurer;



- 1           (5) Adopt any form of insurance policy necessary for  
2           providing policies of hurricane property insurance by  
3           the fund, with the approval of the commissioner;
- 4           (6) Issue policies of hurricane property insurance and pay  
5           claims for coverage over the mandatory deductible or  
6           other deductible provided in the plan of operation or  
7           any manual of rules and rates adopted under the plan  
8           of operation;
- 9           (7) [~~Require every~~] Contract with one or more licensed  
10          property and casualty [~~insurer~~] insurers transacting  
11          direct property insurance business in this State or an  
12          entity specializing in providing insurance  
13          administration to act as a servicing facility, and by  
14          contract with that [~~insurer~~] servicing facility  
15          authorize the [~~insurer~~] servicing facility to inspect  
16          eligible properties, service policies and  
17          policyholders of hurricane property insurance, provide  
18          claim services, and perform any other duties as  
19          authorized by the fund for applicants to the fund and  
20          those insured by it;





1           (8)   (A)   Assess all licensed property and casualty  
2                   insurers the amounts [~~which,~~] that, together with  
3                   the other assets of the fund, are sufficient to  
4                   meet all necessary obligations of the fund. The  
5                   assessment shall be made on the insurer's gross  
6                   direct written premiums for property and casualty  
7                   insurance in this State for the preceding  
8                   calendar year. The rate of assessment shall be  
9                   established by the board and in a year in which a  
10                  covered event has not occurred [~~shall be~~] may be  
11                  up to a percentage not to exceed 3.75 per cent  
12                  and shall not include the insurer's gross direct  
13                  written premiums for motor vehicle insurance in  
14                  this State; provided that following a covered  
15                  event, the rate of assessment may be increased to  
16                  an amount not to exceed five per cent and may  
17                  include the insurer's gross direct written  
18                  premiums for motor vehicle insurance in this  
19                  State. This increase shall remain in effect  
20                  until [~~such~~] the time [~~as~~] all claims and other  
21                  obligations, including but not limited to bonds



1 and notes, arising out of a covered event [~~shall~~]  
2 have been fully discharged. [~~An insurer~~  
3 ~~authorized to provide comparable coverage under~~  
4 ~~section 431P-10(b) and which is providing~~  
5 ~~hurricane property insurance in the State shall~~  
6 ~~be assessed an amount that excludes gross direct~~  
7 ~~written premiums for property insurance in this~~  
8 ~~State.]~~ The assessment for a year in which a  
9 covered event has not occurred shall be collected  
10 quarterly during each calendar year;

11 (B) [~~In the event of~~] If a loss occurs from a covered  
12 event [~~the fund~~], in addition to the assessment  
13 in subparagraph (A), [~~shall~~] assess those  
14 insurers [~~which~~] that acted as servicing  
15 facilities during the twelve months ending at the  
16 start of the month preceding the month in which  
17 the covered event occurs. The total assessment  
18 shall be a fixed percentage of the total coverage  
19 provided by the fund under its policies of  
20 hurricane property insurance during the month  
21 preceding the month in which the covered event



occurs. The percentage to be used in calculating the total assessment shall be ~~[as follows]:~~

~~[(i) For calendar year 1998, a percentage as fixed by the board in the plan of operation, but in no event shall the total assessment exceed \$500,000,000;~~

~~(ii) For calendar year 1999, 1.125 per cent;~~

~~(iii) For calendar year 2000, 1.25 per cent; and~~

~~(iv)]~~ (i) For calendar year 2001, ~~[and each calendar year thereafter,]~~ 1.5 per cent~~[.];~~ and

(ii) Beginning January 1, 2026, a percentage not to exceed 1.5 per cent as determined by the board.

A separate total assessment shall be made for each covered event. The total assessment shall be allocated to each servicing facility based on the proportion of the total amount of the fund's gross direct written premiums for policies of hurricane property insurance serviced by each servicing facility to the total amount of the



1 fund's gross direct written premiums for policies  
2 of hurricane property insurance, in each case,  
3 during the twelve months ending at the start of  
4 the month preceding the month in which the  
5 covered event occurs. Assessments made under  
6 this subparagraph and those under subparagraph  
7 (A) in a year in which a covered event has  
8 occurred are due from each insurer based on  
9 assessment procedures established by the fund to  
10 meet its obligations to policyholders in a timely  
11 manner; and

12 (C) ~~[The fund may exempt]~~ Exempt or defer, in whole  
13 or in part, the assessment of any insurer if the  
14 assessment would cause the insurer's financial  
15 statement to reflect amounts of capital or  
16 surplus less than the minimum amounts required  
17 for a certificate of authority in this State;

18 (9) Develop a program of incentives to encourage insurers  
19 to provide policies of hurricane property insurance  
20 ~~[in the event the commissioner authorizes the~~  
21 ~~provision of comparable insurance pursuant to section~~



1       ~~431P-10(b) which~~ that may include but are not limited  
2       to exemption of the insurer's gross direct written  
3       premium for property insurance from the assessment  
4       pursuant to paragraph (8) (A);

5       ~~[(10)] Develop a credit based on the difference between~~  
6       ~~premiums written in 1993 and the premiums written in~~  
7       ~~1992 by each property insurer against the assessment~~  
8       ~~for gross direct written premiums written in 1993;~~

9       ~~-(11)-~~ (10) Develop procedures regarding policies written by  
10       unauthorized insurers comparable to the assessments,  
11       surcharges, and other contributions made by insurers  
12       authorized to do business in this State;

13       ~~[(12)]~~ (11) Accumulate reserves or funds, including the  
14       investment income thereon, to be used for paying  
15       expenses, making or repaying loans or other  
16       obligations of the fund, providing loss mitigation  
17       incentives, and paying valid claims for covered events  
18       insured by the fund;

19       ~~[(13)]~~ (12) Collect and maintain statistical and other data  
20       as may be required by the commissioner;



- 1     ~~[(14)]~~   ~~Exempt mortgage transactions from payments of the~~  
2             ~~special mortgage recording fee and provide for maximum~~  
3             ~~limits on or, uniform reduction of the special~~  
4             ~~mortgage recording fee, pursuant to rules adopted by~~  
5             ~~the board;~~
- 6     ~~(15)~~   ~~Suspend or reactivate the special mortgage recording~~  
7             ~~fee pursuant to resolution of the board;~~
- 8     ~~(16)]~~   (13)   Impose fines for each incident of nonpayment of  
9             amounts due to the fund under this chapter; provided  
10            that the fines shall not exceed twenty-five per cent  
11            of the amount then due;
- 12     ~~[(17)]~~   (14)   Create loss mitigation incentives, including but  
13            not limited to premium credits, premium rebates,  
14            loans, or cash payments;
- 15     ~~[(18)]~~   (15)   Enter into claims financing transactions,  
16            including but not limited to reinsurance transactions,  
17            debt transactions, and other transactions  
18            incorporating elements of reinsurance, insurance,  
19            debt, or equity;



1     ~~[(19)]~~ (16)   Establish business and corporate entities or  
2                   organizations pursuant to the purposes of this  
3                   chapter; ~~[and]~~

4     (17)   Receive for deposit into separate accounts within the  
5                   hurricane reserve trust fund established pursuant to  
6                   section 431P-16 revenues received from any fee revenue  
7                   authorized by the legislature for deposit into the  
8                   hurricane relief trust fund, and any other source of  
9                   revenue available to the board;

10    (18)   Notwithstanding any law to the contrary, loan funds to  
11                   the Hawaii property insurance association established  
12                   under section 431:21-103; and

13    ~~[(20)]~~ (19)   Perform any and all acts reasonably necessary to  
14                   carry out the purposes of this chapter."

15           SECTION 12.   Section 431P-5.5, Hawaii Revised Statutes, is  
16 amended as follows:

17           1.   By amending subsection (a) to read:

18           "(a)   Upon written confirmation from the ~~[insurance]~~  
19 commissioner that the director ~~[of finance]~~ has secured  
20 \$500,000,000, in the aggregate, in the form of:



1           (1) Commitments from either the federal government or an  
2           agency of the federal government or a financial  
3           institution;  
4           (2) Revenue bonds other than those issued or to be issued  
5           in response to the occurrence of a covered event; or  
6           (3) A combination of the commitments or bonds[+],  
7 the Hawaii hurricane relief fund shall[+]  
8       ~~-(1) Control~~ control or freeze rates[+] and  
9       ~~[-(2) Continue]~~ continue accumulating premiums from policies  
10       of hurricane property insurance ~~[and the special~~  
11       ~~mortgage recording fee]~~, net of any reinsurance  
12       payments, operating expenses, and funds necessary for  
13       the development of a comprehensive loss reduction  
14       plan."  
15       2. By amending subsections (c) and (d) to read:  
16       "(c) ~~[In the event of]~~ If a loss from a covered event[+]  
17       occurs, the net moneys accumulated shall be used to settle  
18       claims and pay current and ongoing expenses of the Hawaii  
19       hurricane relief fund. The net accumulated moneys, commitments,  
20       and bonds described in subsection (a) ~~[-(2)]~~ shall be used only





1 ~~[in the event]~~ if losses from a covered event exceed the  
2 assessment pursuant to section 431P-5(b)(8)(B).

3 (d) ~~[In the event]~~ If the balance of the net accumulated  
4 moneys falls below \$400,000,000, the Hawaii hurricane relief  
5 fund shall establish rates, subject to the approval of the  
6 ~~[insurance]~~ commissioner, necessary to replenish the account  
7 balance to \$500,000,000, as promptly as reasonably practicable.  
8 The director ~~[of finance]~~ shall seek to arrange additional  
9 commitments whenever the account balance falls below  
10 \$400,000,000."

11 SECTION 13. Section 431P-7, Hawaii Revised Statutes, is  
12 amended by amending subsection (c) to read as follows:

13 "(c) The plan of operation ~~[shall]~~:

14 (1) ~~[Establish]~~ Shall establish procedures for performance  
15 of all powers and duties of the fund;

16 (2) ~~[Establish]~~ Shall establish procedures for providing  
17 notice to all persons with interests insurable by the  
18 fund in the State of the type of insurance available  
19 from the fund ~~[in the event]~~ if the fund offers  
20 insurance;



- 1           (3)   ~~[Provide]~~ Shall provide for and adopt all necessary  
2                   forms, including insurance policies to be used by and  
3                   on behalf of the fund, for use by the fund and  
4                   servicing facilities;
- 5           (4)   ~~[Adopt]~~ Shall adopt actuarially sound rates, based on  
6                   reasonable assumptions relative to expectations of  
7                   hurricane frequency and severity, to be charged for  
8                   insurance provided by the fund, in accordance with  
9                   article 14 of chapter 431;
- 10          (5)   ~~[Publish]~~ Shall publish manuals of rules, rates, and  
11                   rating and classification plans, which shall address  
12                   mandatory deductibles, limits of coverage, and the  
13                   classification of risks and rate modifications based  
14                   on the exposure of insureds~~[+]~~, subject to the  
15                   approval of the commissioner;
- 16          (6)   ~~[Establish]~~ Shall establish procedures for receiving  
17                   and servicing applications to the fund;
- 18          (7)   ~~[Establish]~~ Shall establish procedures for processing  
19                   and maintaining records of the fund relating to its  
20                   financial transactions, its agents, its employees, its



1 operations, and all transactions with any servicing  
2 facility;

3 (8) [~~Establish~~] Shall establish procedures for the  
4 collection and remittance of the premiums and return  
5 of unearned premiums where applicable;

6 (9) [~~Establish~~] Shall establish procedures for the payment  
7 of valid claims;

8 (10) [~~Establish~~] Shall establish procedures for prorating  
9 available funds pursuant to section 431P-15;

10 (11) [~~Establish~~] Shall establish procedures for obtaining  
11 reinsurance;

12 (12) [~~Establish~~] Shall establish procedures to borrow  
13 funds; [~~and~~]

14 (13) [~~Develop~~] Shall develop a plan for the investment of  
15 moneys held by the fund [~~subject to the limitations in~~  
16 ~~article 6 of chapter 431.~~];

17 (14) Shall require, prior to issuance or renewal of  
18 coverage, the applicant for condominium insurance  
19 coverage or renewal to:

20 (A) Cause to be completed an inspection of the  
21 applicable condominium; provided that the



1 inspection shall be consistent with any  
2 inspection and reporting standards established by  
3 the board and incorporated into the plan of  
4 operation; and

5 (B) Satisfy any relevant requirements established by  
6 the board and incorporated into the plan of  
7 operation; and

8 (15) May prohibit coverage under this chapter for any  
9 high-rise condominium for which the fund or its  
10 servicing entities or any agents thereof have  
11 identified maintenance issues materially affecting the  
12 insurability of the high-rise condominium for  
13 hurricane property insurance."

14 SECTION 14. Section 431P-10, Hawaii Revised Statutes, is  
15 amended to read as follows:

16 **"§431P-10 Coverage available from the fund; deductible.**  
17 ~~[(a) Policies]~~ Coverage limits and deductibles for policies  
18 issued by the fund covering eligible property shall [provide a  
19 maximum aggregate coverage of up to \$750,000 per risk on real  
20 property of one to four units used for residential purposes and  
21 \$500,000 per risk for real property used for business,



~~commercial, or industrial purposes and shall provide for a  
mandatory deductible. The deductible amount for residential  
property policies shall be the greater of \$1,000 or one per cent  
of the insured value or the greater of \$2,000 or two per cent of  
the insured value; provided that the board may establish higher  
deductible limits. The deductible amount for commercial  
property policies shall be the greater of \$5,000 or five per  
cent of the insured value or an amount equivalent to all the  
other perils deductible of the companion policy; provided that  
the board may establish higher deductible limits.~~

~~(b) Insurers seeking to provide multi-peril coverage for  
residential property, including multi-peril coverage of the  
hurricane peril, subject to the fund's program for incentives  
and credits, shall submit to the commissioner a written request  
for permission to write the coverage; provided that in the  
absence of such authorization, no other policy of residential  
property insurance or endorsement to a policy of residential  
property insurance on eligible residential property located in  
this State shall be issued to provide insurance for damages or  
losses caused by a covered event if such coverage is less than  
that offered by the fund. If multi-peril coverage on commercial~~



1 ~~property is no longer being offered by the fund, any multi-peril~~  
2 ~~coverage on commercial property offered by an insurer shall~~  
3 ~~qualify as a comparable coverage under section 431P-5(b)(8)(A).~~  
4 ~~Multi-peril coverage on residential property which [includes]~~  
5 ~~coverage for hurricane losses offered by an insurer shall~~  
6 ~~qualify as a comparable coverage under section 431P-5(b)(8)(A).]~~  
7 be established in the plan of operation, subject to approval by  
8 the commissioner."

9 SECTION 15. Section 431P-11, Hawaii Revised Statutes, is  
10 amended by amending subsection (b) to read as follows:

11 "(b) [The] Except for:

- 12 (1) Applicants who are otherwise able to procure hurricane  
13 property insurance from insurers authorized to  
14 transact business in the State; and  
15 (2) Properties that are deemed ineligible pursuant to the  
16 plan of operation,

17 the fund shall not deny any application for hurricane property  
18 insurance on any property eligible under subsection (a)."

19 SECTION 16. Section 431P-16, Hawaii Revised Statutes, is  
20 amended to read as follows:



1       **"§431P-16 Establishment of trust funds.** (a) The fund  
2 shall establish outside the state treasury a hurricane reserve  
3 trust fund and any accounts thereunder and any other trust fund  
4 or account necessary to carry out the purposes of this chapter.  
5 Moneys deposited in the hurricane reserve trust fund and any  
6 accounts thereunder or any other trust fund or account shall be  
7 held by the fund, as trustee, in a depository as defined in  
8 section 38-1 or according to a similar arrangement at the  
9 discretion of the board, including, but not limited to, trust or  
10 custodial accounts created for the benefit of the fund's secured  
11 parties under contractual claims financing arrangements. These  
12 moneys may be invested and reinvested in accordance with the  
13 plan of operation. Disbursements from the trust funds shall not  
14 be subject to chapter 103D and shall be made in accordance with  
15 procedures adopted by the board.

16       ~~[(b) The hurricane reserve trust fund shall receive~~  
17 ~~deposits of the special mortgage recording fee established by~~  
18 ~~this chapter. Except as determined by board order, the special~~  
19 ~~mortgage recording fee shall be imposed on each mortgage and~~  
20 ~~each amendment to a mortgage which, in each case, increases the~~  
21 ~~principal amount of the secured debt and which is recorded in~~



~~the bureau of conveyances of the State under chapter 502 or  
filed with the assistant registrar of the land court of the  
State under chapter 501.~~

~~The special mortgage recording fee shall be an amount equal  
to one-tenth of one per cent of the stated principal amount of  
the debt secured by the mortgage or, in the case of an amendment  
or refinancing of a mortgage, an amount equal to one-tenth of  
one per cent of the amount of the increase of the stated  
principal amount of the secured debt; provided that the board  
may establish a lower special mortgage recording fee amount  
pursuant to section 431P-5(b)(14). With respect to an open end  
revolving loan, the principal amount of the debt on which the  
special mortgage recording fee is calculated shall be the  
maximum amount which may be outstanding under the loan at any  
one time. With respect to a mortgage securing a nonmonetary or  
inchoate obligation, the principal amount of the debt on which  
the special mortgage recording fee is calculated shall be the  
monetary amount which the mortgagee attributes to the  
obligation. If the debt is stated in a foreign currency, it  
shall be converted to U.S. dollars using an exchange rate  
published in a newspaper of general circulation in this State~~





~~within one week prior to recordation of the mortgage or  
amendment of mortgage.~~

~~The special mortgage recording fee shall be in addition to  
any applicable fees under chapter 501 or 502. The special  
mortgage recording fee shall be submitted to and collected by  
the bureau of conveyances or the assistant registrar of the land  
court of the State and shall be deposited into the hurricane  
reserve trust fund. The special mortgage recording fee shall be  
submitted at the time the mortgage or amendment of mortgage is  
recorded together with any related forms or certifications  
required by the bureau of conveyances or the assistant registrar  
of the land court of the State.~~

~~(e)]~~ (b) The Hawaii hurricane relief fund ~~[shall]~~ may  
implement the assessments of all property and casualty insurers  
~~[as]~~ authorized by section 431P-5(b)(8)(A) and (B) and the  
proceeds from the assessments shall be deposited into the  
hurricane reserve trust fund or into trust or custodial  
accounts, created for the benefit of the fund's secured parties,  
that are held inside or outside the hurricane reserve trust  
fund~~[-]~~; provided that after December 31, 2025, all proceeds  
realized from the collection of the assessments shall be



1 deposited into a separate trust account within the hurricane  
2 reserve trust fund.

3 Property and casualty insurers shall annually recoup  
4 assessments paid pursuant to section 431P-A.

5 [~~(d)~~] (c) If the Hawaii hurricane relief fund offers to  
6 issue policies of hurricane property insurance, the premiums for  
7 the policies shall be deposited into the hurricane reserve trust  
8 fund.

9 [~~(e)~~] (d) After each covered event, if the board  
10 determines that the moneys in the hurricane reserve trust fund,  
11 excluding moneys determined by the board to be needed to  
12 continue fund operations following the covered event, will be  
13 insufficient to pay claims and other obligations of the fund  
14 arising out of that covered event, the Hawaii hurricane relief  
15 fund shall levy a surcharge not to exceed seven and one-half per  
16 cent a year on premiums charged for all property and casualty  
17 insurance policies issued for risks insured in this State.  
18 These moneys may be deposited into the hurricane reserve trust  
19 fund or into trust or custodial accounts created for the benefit  
20 of the fund's secured parties that are held inside or outside  
21 the hurricane reserve trust fund. The surcharge shall remain in



1 effect until all claims and other obligations of the fund,  
2 including but not limited to claims under fund policies of  
3 hurricane property insurance, claims financing transactions,  
4 bonds, notes, and other obligations arising out of that covered  
5 event have been fully discharged. The amount and reason for any  
6 surcharge made pursuant to this subsection shall be separately  
7 stated on any billing sent to an insured. The surcharge shall  
8 not be considered premiums for any other purpose including the  
9 computation of gross premium tax or the determination of  
10 producers' commissions. The fund may establish procedures for  
11 insurers to collect the surcharge from customers who hold  
12 property or casualty policies.

13 ~~[(+f)]~~ (e) Any proceeds, experience refunds, or other  
14 return funds under reinsurance shall be deposited into the  
15 hurricane reserve trust fund.

16 ~~[(+g)]~~ (f) Any proceeds from loans or other moneys from the  
17 federal government, any proceeds from bonds issued pursuant to  
18 this chapter loaned by the director to the Hawaii hurricane  
19 relief fund, any revenues derived from the temporary recording  
20 fee pursuant to section 431P-B, and other moneys as the State



1 may make available from time to time shall be deposited into  
2 separate accounts of the hurricane reserve trust fund.

3 [~~h~~] (g) Moneys in the hurricane reserve trust fund or in  
4 trust or custodial accounts, created for the benefit of the  
5 fund's secured parties, shall be expended by the Hawaii  
6 hurricane relief fund or its authorized designee and used solely  
7 for the purposes of this chapter.

8 [~~i~~] (h) Moneys in the hurricane reserve trust fund may  
9 be disbursed upon dissolution of the Hawaii hurricane relief  
10 fund; provided that:

11 (1) The net moneys in the hurricane reserve trust fund  
12 shall revert to the state general fund after payments  
13 by the fund on behalf of licensed property and  
14 casualty insurers or the State that are required to be  
15 made pursuant to any federal disaster insurance  
16 program enacted to provide insurance or reinsurance  
17 for hurricane risks are completed; and

18 (2) If [~~such~~] the moneys are paid on behalf of licensed  
19 property and casualty insurers, payment shall be made  
20 in proportion to the premiums from policies of  
21 hurricane property insurance serviced by the insurers



1           in the twelve months prior to dissolution of the  
2           fund[+  
3 ~~provided that all interest earned from the principal in the~~  
4 ~~hurricane reserve trust fund shall be transferred and deposited~~  
5 ~~into the general fund each year that the hurricane reserve trust~~  
6 ~~fund remains in existence]."~~

7       SECTION 17. Section 501-23.5, Hawaii Revised Statutes, is  
8 amended to read as follows:

9       **"§501-23.5 Disposition of fees received at the bureau of**  
10 **conveyances.** Notwithstanding any other law to the contrary, of  
11 the fees received at the bureau of conveyances, the registrar of  
12 conveyances shall deposit to the credit of the state general  
13 fund \$18 for each document recorded and shall deposit the  
14 remaining balance and all fees other than the [~~special mortgage~~  
15 ~~recording fee established pursuant to section 431P-16]~~ temporary  
16 recording fee established pursuant to section 431P-B and  
17 conveyance tax collected pursuant to section 247-1 to the credit  
18 of the bureau of conveyances special fund established under  
19 section 502-8."

20       SECTION 18. Section 502-25, Hawaii Revised Statutes, is  
21 amended by amending subsection (b) to read as follows:



1           "(b) Notwithstanding any other law to the contrary, of the  
2 fees received at the bureau of conveyances, the registrar of  
3 conveyances shall deposit to the credit of the state general  
4 fund \$18 for each document recorded and shall deposit the  
5 remaining balance and all fees other than the [~~special mortgage~~  
6 ~~recording fee established pursuant to section 431P-16~~] temporary  
7 recording fee established pursuant to section 431P-B and  
8 conveyance tax collected pursuant to section 247-1 to the credit  
9 of the bureau of conveyances special fund established under  
10 section 502-8."

## 11 PART IV

12           SECTION 19. There is appropriated out of the general  
13 revenues of the State of Hawaii the sum of \$                   or so  
14 much thereof as may be necessary for fiscal year 2025-2026 to  
15 provide a loan to the Hawaii property insurance association for  
16 administrative and startup costs, minimum solvency costs, and  
17 the purchase of reinsurance. The moneys shall be deposited into  
18 the Hawaii property insurance association's reserve trust fund  
19 established pursuant to section 431:21-105(b) (9), Hawaii Revised  
20 Statutes.



1       SECTION 20. There is appropriated out of the Hawaii  
2 property insurance association's reserve trust fund the sum of  
3 \$               or so much thereof as may be necessary for fiscal  
4 year 2025-2026 for the purposes of part II of this Act.

5       The sum appropriated shall be expended by the insurance  
6 commissioner for the purposes of part II of this Act until such  
7 time as the Hawaii property insurance association board of  
8 directors convenes its first meeting after the effective date of  
9 this Act. Thereafter, any remaining moneys appropriated  
10 pursuant to this section shall be expended by the Hawaii  
11 property insurance association board of directors for the  
12 purposes of part II of this Act. Any moneys appropriated to the  
13 Hawaii property insurance association shall be repaid to the  
14 general fund in accordance with the procedures, guidelines,  
15 installment amounts, and timetable established for the repayment  
16 of any general fund moneys pursuant to section  
17 431:21-106(c) (17), Hawaii Revised Statutes.

18       SECTION 21. The director of finance is authorized to issue  
19 reimbursable general obligation bonds in the sum of \$50,000,000  
20 or so much thereof as may be necessary and the same sum or so  
21 much thereof as may be necessary is appropriated for fiscal year



1 2025-2026 for deposit into the hurricane reserve trust fund;  
2 provided that the existing fund balance in the hurricane reserve  
3 trust fund shall be expended before reimbursable general  
4 obligation bonds are deposited into the trust fund.

5 SECTION 22. There is appropriated out of the hurricane  
6 reserve trust fund the sum of \$50,000,000 or so much thereof as  
7 may be necessary for fiscal year 2025-2026 for the purpose of  
8 providing working capital to finance any permitted purpose under  
9 this Act.

10 The sum appropriated shall be expended by the insurance  
11 commissioner for the purposes of this Act; provided that the  
12 insurance commissioner, upon the insurance commissioner's  
13 determination that it is advisable to transfer funds from the  
14 hurricane reserve trust fund, shall reimburse the general fund  
15 for payment of debt service on reimbursable general obligation  
16 bonds authorized and issued under section 21 of this Act.

17 PART V

18 SECTION 23. (a) The insurance commissioner shall conduct  
19 a study to identify or develop a long-term solution to stabilize  
20 the property insurance market in the State. The insurance  
21 commissioner shall include in the study:





- 1 (1) Recommendations for capitalizing the Hawaii property  
2 insurance association and Hawaii hurricane relief  
3 fund;
- 4 (2) Recommendations for monitoring the stability of the  
5 property insurance market in the State;
- 6 (3) A determination of the efficacy of the changes  
7 implemented pursuant to this Act;
- 8 (4) An evaluation of the feasibility of establishing a  
9 mutual or captive insurance model to address the  
10 affordability and availability of property insurance  
11 in the State, including solutions to address the needs  
12 of condominium associations and individual residential  
13 condominium property owners; and
- 14 (5) Recommendations on a mechanism to ensure that  
15 condominium properties are maintained and repaired in  
16 a timely manner to ensure that the condominium  
17 properties remain in insurable condition.
- 18 (b) The insurance commissioner shall submit reports of the  
19 insurance commissioner's findings and recommendations, including  
20 any proposed legislation, to the legislature no later than



1 twenty days prior to the convening of the regular sessions of  
2 2026 and 2027.

3 SECTION 24. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$100,000 or so much  
5 thereof as may be necessary for fiscal year 2025-2026 for the  
6 insurance commissioner to conduct a study pursuant to this part.

7 The sum appropriated shall be expended by the insurance  
8 division of the department of commerce and consumer affairs for  
9 the purposes of this part.

10 PART VI

11 SECTION 25. In codifying the new sections added by section  
12 8, and referenced in sections 16, 17, and 18 of this Act, the  
13 revisor of statutes shall substitute appropriate section numbers  
14 for the letters used in designating the new sections in this  
15 Act.

16 SECTION 26. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 27. This Act shall take effect on July 1, 3000.



**Report Title:**

HPIA; HHRF; Property Insurance; Hurricane; Condominiums; Report;  
Reimbursable General Obligation Bonds; Appropriation

**Description:**

Expands the powers of the Hawaii Property Insurance Association and reactivates the Hawaii Hurricane Relief Fund to help to stabilize the property insurance market in the State. Requires the Insurance Commissioner to conduct a study and appropriates funds for this purpose. Appropriates funds as a loan to the Hawaii Property Insurance Association. Authorizes the issuance of reimbursable general obligation bonds to facilitate the initial issuance of policies to condominium associations. Effective 7/1/3000. (HD2)

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

