

EXECUTIVE CHAMBERS

HONOLULU

June 22, 2001

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 838

Honorable Members  
Twenty-First Legislature  
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 838, entitled "A Bill for an Act Relating to Hawaii Hurricane Relief Fund."

The purpose of this bill is to require the Hawaii Hurricane Relief Fund (HHRF) to develop and implement a two-year pilot program to provide grants to residential property owners for the installation of HHRF-approved wind damage mitigation devices that lessen the probability of property loss from strong winds. The grants are to be awarded on a dollar-for-dollar matching funds basis, up to a maximum \$3,500 per insured location. The bill will appropriate \$5,000,000 for fiscal year 2001-2002 and \$5,000,000 for fiscal year 2002-2003 out of the Hurricane Reserve Trust Fund to develop and implement the pilot program.

By way of a brief background, the HHRF was created in 1993 to insure against hurricane losses in Hawaii in the aftermath of the devastation caused by Hurricane Iniki and the worldwide insurance crisis. Without hurricane coverage, the orderly growth and development of the State would have been severely impeded. Presently, the homeowners insurance market is showing signs of stabilization, as several insurers are again offering hurricane coverage. In light of this, the HHRF has stopped writing new policies and stopped renewing existing policies and plans to run-off all policies by December 1, 2001.

The grant pilot program proposed by the bill would be limited to current and former policyholders of the HHRF. If grants are to be awarded, all homeowners should be eligible, as

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there does not appear to be a logical reason to limit the grants to HHRF policyholders. HHRF policyholders have already benefited from paying their HHRF premiums as they received the coverage they paid for. Also, premiums are not the only source of revenue for the HHRF. The HHRF also receives moneys from the special mortgage recording fee and from assessments on property and casualty insurers.

Moreover, the HHRF is currently awaiting the results of a study on the issue of hazard mitigation, pursuant to Act 153, Session Laws of Hawaii 2000. That act directed the advisory committee of the HHRF to study a mitigation plan as outlined in the act. In addition, the study is to contain proposed legislation, if necessary, and a recommendation as to which hazard mitigation program will provide the most benefit to residential homeowners. Further, should the study find that it is feasible to implement a grant program, the study is to set forth that the pros of the grant program outweigh the cons and further set forth specific details on the implementation of the grant program. This study has not yet been completed.


Furthermore, Act 153, Session Laws of Hawaii 2000, recognized the need for a detailed implementation plan of any mitigation grant program, something that is missing from this bill. Such issues as the types and kinds of wind damage mitigation devices that would be eligible for the grants, procedures to file for the grant, and supporting documentation requirements for the grant application are all undefined. The grant application process would also appear to require various levels of expertise to advise the HHRF, including perspectives from the fields of construction and engineering. All these issues are in fact under consideration and being sorted through as part of the study described above. Consequently, it would be

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premature to institute a grant program as called for by this bill until this comprehensive and valuable study is completed.

For the foregoing reasons, I am returning Senate Bill No. 838 without my approval.

Respectfully,

  
BENJAMIN J. CAYETANO  
Governor of Hawaii