

Honolulu, Hawaii

MAR 22 , 2024

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

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

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 3234, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

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



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

Your Committee received testimony in support of this measure from the Palehua Townhouse Association; Hawaii First Realty LLC; Hawaii Financial Services Association; Honolulu Tower AOA; Hawaii Insurers Council; Hawaii Bankers Association; First Insurance Company of Hawaii; Community Associations Institute, Legislative Action Committee, Hawaii Chapter; Hawaii Association of Mortgage Brokers and Professionals; Hawaii Credit Union League; Zephyr Insurance Company, Inc.; Mortgage Bankers Association of Hawaii; and four individuals. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs; Department of Taxation; Tax Foundation of Hawaii; Land Use Research Foundation of Hawaii; Maui Chamber of Commerce; State Farm Mutual Automobile Insurance Company; and Hawai'i Association of REALTORS.

Your Committee finds that the availability of condominium building master insurance policy and unit owner insurance policy options within the condominium insurance marketplace was shrinking, even before the August 2023 Maui wildfire event. For condominium building master insurance policies, insurers have increased deductible amounts from what used to be between \$10,000 to \$25,000 per unit, per occurrence, to as much as \$250,000. Furthermore, insurance premiums for hurricane insurance policies have recently risen so high that three hundred seventy-five to three hundred ninety buildings have opted to renew their hurricane insurance policies with less than one hundred percent hurricane coverage. This measure expands the markets of last resort in the State to assist the stabilization of the property insurance market until risks can be depopulated back to the standard insurance market when market conditions improve and risks become more insurable because of building component replacement or maintenance, or mitigation equipment or protocols have been implemented for fire, wildfire, or hurricane events.



Your Committee has amended this measure by:

- (1) Updating the preamble;
- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3234, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3234, S.D. 1, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,


MARK M. NAKASHIMA, Chair



