



JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

NADINE Y. ANDO
DIRECTOR | KA LUNA HOOKELE

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Commerce and Consumer Protection
Friday, January 31, 2025
9:30 a.m.
State Capitol, Conference Room 229 and via videoconference

On the following measure:
S.B. 1140, RELATING TO INSURANCE OF LAST RESORT

Chair Keohokalole and Members of the Committee:

My name is Gordon Ito, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department offers comments on this bill.

The purpose of this bill is to establish the Fair Access to Insurance Requirements (FAIR) program, which shall be administered under the Department of Commerce and Consumer Affairs to ensure that residents in high-risk areas can purchase affordable and comprehensive property insurance coverage for their residential properties.

While we appreciate the intent of the bill, the Department notes that article 21 of section 431 of the Hawaii Revised Statutes (HRS) established the Hawaii Property Insurance Association (HPIA) which assures stability in the property insurance market, assures the availability of property insurance, and provides an opportunity to obtain basic property insurance for potentially precarious areas. For example, the HPIA currently provides coverage to high-risk areas such as lava zones 1 and 2. Since the

FAIR plan appears to share similarities in scope, purpose, and execution, it may ultimately provide coverage comparable to the HPIA.

The FAIR plan may benefit from establishing a working group first so it can develop a comprehensive overview of its intended demographic, clarify potential points of concern, and present a plan to the legislature. Topics of discussion may include the availability of insurers in the State, affordability and eligibility requirements, accreditation, and proposed timelines.

Thank you for the opportunity to testify..



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:

S.B. NO. 1140, RELATING TO INSURANCE OF LAST RESORT.

BEFORE THE:

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

DATE: Friday, January 31, 2025

TIME: 9:30 a.m.

LOCATION: State Capitol, Room 229

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Andrew I. Kim or Christopher J.I. Leong, Deputy Attorneys General

Chair Keohokalole and Members of the Committee:

The Department of the Attorney General provides the following comments.

This purpose of this bill is to establish the Fair Access to Insurance Requirements Program to ensure that residents in high-risk areas can purchase affordable and comprehensive property insurance coverage for their residential properties.

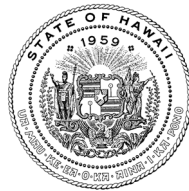
First, for purposes of clarity, we recommend expressly stating that the Fair Access to Insurance Program is established within the Department of Commerce and Consumer Affairs, as the new chapter requires the Director of Commerce and Consumer Affairs to oversee the implementation of the program. Therefore, we recommend that section __-3 of the new chapter to be added by this bill be amended on page 4, lines 15-19, to read as follows:

§ -3 FAIR program; established. There is established within the department of commerce and consumer affairs the fair access to insurance requirements program, which shall offer residents living in high-risk areas the opportunity to purchase affordable and comprehensive property insurance coverage for their residential properties.

Additionally, on page 8, lines 10-13, this bill allows the director to establish a premium stabilization fund into which proceeds from revenue bonds shall be deposited. However, the bill does not provide whether the fund is inside or outside the state treasury. If the fund will be placed within the state treasury, we recommend amending

the wording on page 8, lines 10-13, as follows: "If revenue bonds are issued pursuant to section -8, the director shall establish in the state treasury a premium stabilization fund, into which proceeds from the revenue bonds shall be deposited."

Thank you for the opportunity to provide comments.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
ON
SENATE BILL NO. 1140

**January 31, 2025
9:30 a.m.
Room 229 and Videoconference**

RELATING TO INSURANCE OF LAST RESORT

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 1140 proposes to: 1) establish the Fair Access to Insurance Requirements Program (FAIRP), administered by the Director of the Department of Commerce and Consumer Affairs (DCCA), to select a private insurer to offer property insurance policies of last resort to residents living in high-risk areas; 2) grant the selected insurer access to the Hawai'i Hurricane Relief Fund (HHRF) and the authority to utilize other state-supported and private reinsurance mechanisms; 3) authorize DCCA's Director to issue revenue bonds to capitalize the FAIRP and provide for premium stabilization, reinsurance arrangements, and administrative expenses; 4) authorize DCCA's Director to establish a Premium Stabilization Fund (PSF) to collect proceeds on the issued revenue bonds, provide subsidies to policyholders, and pay administrative expenses; 5) require DCCA's Director to establish an Incentive Program to provide discounts, rebates, and educational resources for disaster-resistant construction and improvements; and 6) require DCCA's Director to adopt rules, establish regulations and penalties, submit reports, and

perform other duties for the FAIRP to begin offering policies no later than December 31, 2025.

Although the PSF's means of financing is not explicitly specified, funds performing similar functions are typically classified as special funds. As a matter of general policy, B&F does not support the creation of any special fund, which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding S.B. No. 1140, it is difficult to determine whether the proposed PSF would be self-sustaining.

B&F notes revenue bonds require a reliable, identified source of revenue for the repayment of the bonds. Although it could be inferred that the revenue bonds are to be repaid via insurance premiums from FAIRP policies, it is unclear if S.B. No. 1140 provides for a proper revenue source for the repayment of the bonds. Finally, B&F defers to DCCA on the programmatic impacts of this bill.

Thank you for your consideration of our comments.



Mortgage Bankers Association of Hawaii
P.O. Box 4129, Honolulu, Hawaii 96812

January 28, 2025

The Honorable Jarrett Keohokalole, Chair
The Honorable Carol Fukunaga, Vice Chair
Members of the Senate Committee on Commerce and Consumer Protection

Hearing Date: January 31, 2025
Hearing Time: 9:30am
Hearing Place: Hawaii State Capitol, Conference Room 229

Re: SB1140 Insurance of Last Resort

I am Victor Brock, representing the Mortgage Bankers Association of Hawaii ("MBAH"). The MBAH is a voluntary organization of individuals involved in the real estate lending industry in Hawaii. Our membership consists of employees of banks, savings institutions, mortgage bankers, mortgage brokers, financial institutions, and companies whose business depends upon the ongoing health of the financial services industry of Hawaii. The members of the MBAH originate and service, or support the origination and servicing, of the vast majority of residential and commercial real estate mortgage loans in Hawaii. When, and if, the MBAH testifies on legislation or rules, it is related only to mortgage lending and servicing.

MBAH would like to provide the following comments:

We support Bill SB1140 and the concept of a FAIR plan as insurance of last resort to increase insurance options for Hawaii property owners in the long run. However, we believe that expansion of the HHRF and HPIA authorities as addressed in SB1044 should be given priority, as both the HHRF and HPIA are existing entities and could more immediately address existing challenges faced by the insurance industry.

The MBAH supports SB1044 because it expands the authority of the Hawaii Hurricane Relief Fund ("HHRF") to issue hurricane insurance coverage directly to condominium homeowners' associations, an authority which was not provided in the original HHRF act and HRS 431P from 1993. Governor Green has been issuing emergency proclamations since August 2024 to provide this authority to the HHRF on a temporary basis. However, a permanent revision to HRS 431P, as addressed in SB1044, is needed.

Additionally, SB1044 expands the powers of the Hawaii Property Insurance Association ("HPIA") to provide insurance directly to condominium associations for other types of insurance when a condo project has challenges obtaining coverage.

Both actions will increase availability of insurance for condos in the state and help stabilize the Hawaii property insurance market and provide more affordable options. SB1044 is the product of the Governor's Condo and Property Insurance Task Force. Other options were discussed by the Task Force, but augmenting the authorities of HHRF and HPIA was concluded to be the best and most expedient solution to the immediate needs.

Thank you for the opportunity to present these comments.

Victor Brock
Mortgage Bankers Association of Hawaii

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

Friday, January 31, 2025

9:30 a.m.

SB 1140

Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce and Consumer Protection, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Chief Actuary & Chief Risk Officer for Island Insurance, Board Chair and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit association of property and casualty insurance companies licensed to do business in Hawaii. Members companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council (HIC) submits **comments** on this bill. This bill creates another fair access to insurance requirements programs (FAIR) Plan for Hawaii to provide property insurance for those properties that are high-risk or difficult to insure. The bill also requires the FAIR plan, under a newly created Chapter called the Hawaii Insurance of Last Resort Act, to be administered by an insurance company who is primarily domiciled in Hawaii.

Hawaii currently has two FAIR Plans in statute. One is the Hawaii Property Insurance Association (HPIA) and the other is the Hawaii Hurricane Relief Fund (HHRF). Although they are both markets of last resort, their coverage areas are different. HPIA today writes about 2,200 policies, with slightly more than half attributed to Lava Zones 1 and 2. The remaining policies are issued to owners of single-family homes and condo units who cannot obtain insurance in the admitted market. HPIA writes no hurricane coverage. HHRF today has no policies in it, but its statutory structure remains in place.

HIC believes that the creation of a third FAIR plan is probably not necessary. We strongly support the passage of SB 1044, the Stabilization of Property Insurance bill as submitted by the Joint Executive/Legislative Task Force on Property Insurance. Instead of creating a new FAIR Plan, it expands upon the existing two state funds to accommodate a growing need for the gamut of products offered in the residential property insurance marketplace including condo master policies for hurricane, condo master policies for all other risks excluding hurricane, condo unit coverage, and single-family home coverage.

HIC supports the concept in this bill that the entity needed to run the FAIR Plan should be an insurance company primarily domiciled in Hawaii. The Legislature should consider including this for both HPIA and HHRF. The anticipated need across all lines of property coverage over the next several months and potentially years will result in growth in the number of HPIA policies, and HHRF policies when that entity becomes operational. Local insurance companies do all of the things required of each of these Plans as a part of their day-to-day operations. They have the infrastructure and personnel to respond in an expedient manner and have the ability to scale up or down depending on the changing needs of the market which can save Hawaii consumers money.

We respectfully ask that the Legislature consider inserting the domestic insurance company language into SB 1044 for both HPIA and HHRF to most efficiently serve the people of Hawaii.

Thank you for the opportunity to testify.



Testimony of **Lahaina Strong**
Before the Senate Committee on
Commerce and Consumer Protection

In Consideration of Senate Bill No. 1140
RELATING TO INSURANCE OF LAST RESORT

To Chair Keohokalole, Vice Chair Fukunaga and the honorable members of the committee,

We are writing on behalf of Lahaina Strong, an organization deeply rooted in our community's resilience and advocacy. Originally formed in 2018 following the Hurricane Lane fire in Lahaina and revitalized after the devastating fires of August 8, 2023, Lahaina Strong has become the largest grassroots, Lahaina-based community organization, with over 20,000 supporters. Our mission is to amplify local voices and champion community-driven solutions, which are more critical than ever as we continue rebuilding and recovering.

Lahaina Strong, stands in **support of Senate Bill 1140** for the FAIR Program bill, which offers a critical lifeline to communities like Lahaina navigating the challenges of securing property insurance in high-risk areas.

The devastating wildfire of August 2023 laid bare the vulnerabilities our community faces—not only in rebuilding homes but also in accessing insurance that reflects both fairness and equity. The FAIR Program represents a necessary step toward ensuring all residents, especially those in disaster-prone areas, can afford insurance and rebuild their lives.

We commend this bill's intent to address affordability, stabilize insurance premiums, and provide coverage where the private market has retreated. Lahaina Strong respectfully requests the Legislature **support Senate Bill 1140** to protect local residents.

Mahalo for your consideration and for your commitment to helping communities like Lahaina recover and rebuild.

Sincerely,

Lahaina Strong

SB-1140

Submitted on: 1/29/2025 10:00:37 AM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessica Herzog	Individual	Support	Written Testimony Only

Comments:

Aloha Legislators,

Thank you for addressing these critical issues with the seriousness they deserve. I respectfully urge each of you to prioritize constructive solutions over partisan debates. The residents of Hawaii, regardless of their political affiliations, need your leadership and commitment to fairness now more than ever. We are facing significant socio-economic challenges, and it is essential that the voices of local residents—who live and work here, contributing to the prosperity from which others benefit—are heard and considered.

Many are struggling financially and are unable to voice their concerns as loudly as well-funded lobbyists and corporate interests. It is crucial to recognize that our calls for change are not the complaints of a few disgruntled individuals but a widespread cry for justice from a community seeking equitable treatment. Your actions can lead to meaningful reforms that significantly improve the lives of all your constituents.

After a thorough review of SB 1140, which aims to establish the Fair Access to Insurance Requirements (FAIR) program in Hawaii, there are several aspects of the bill that could be improved to better protect the average homeowners, like myself, particularly in high-risk areas.

Here are some suggested amendments:

1. Enhance Transparency and Participation:

- **Transparency in Rate Setting:** Require the program to publish detailed methodologies for premium calculations and rate adjustments. This would help homeowners understand how their premiums are determined and ensure that rates are set fairly.
- **Homeowner Participation in Oversight:** Amend the bill to include provisions for homeowner representation on any oversight or advisory boards. This ensures that the interests of the residents the program is meant to protect are directly involved in its governance.

2. Strengthen Consumer Protections:

- **Guaranteed Renewals:** Include provisions that guarantee the renewal of policies unless there is a justifiable reason for non-renewal. This protects homeowners from being arbitrarily dropped and gives them more stability.
- **Cap on Premium Increases:** Introduce a cap on how much premiums can increase annually, protecting homeowners from sudden and unmanageable spikes in their insurance costs.

3. Expand Coverage Requirements:

- **Comprehensive Coverage Mandate:** Ensure that the policies offered cover a broad range of perils and include specific protections for the unique risks faced by homeowners in Hawaii, such as volcanic activity and flooding, which are often excluded from standard policies.
- **Mandatory Coverage for Underinsured Homes:** Propose amendments to require the FAIR program to offer coverage options for homes that are currently underinsured due to policy limits not keeping pace with market values or reconstruction costs.

4. Improve Affordability Mechanisms:

- **Subsidies for Low-Income Families:** Establish a subsidy program within the FAIR plan that offers premium assistance to low-income families or fixed-income retirees, ensuring the program is accessible to those who need it most.
- **Deductible Reduction Options:** Provide options for homeowners to reduce their deductibles through mitigation measures or longevity in the program, promoting long-term participation and risk reduction.

5. Ensure Robust Reinsurance Support:

- **State-Backed Reinsurance Pool:** Propose the creation of a state-backed reinsurance pool to support the FAIR program, helping to stabilize premiums and ensure the program's financial health.
- **Periodic Review of Reinsurance Contracts:** Mandate periodic reviews of reinsurance contracts to ensure they are cost-effective and provide sufficient coverage against large-scale disasters.

These amendment would strengthen the bill by increasing transparency, enhancing consumer protections, ensuring affordability, and expanding coverage to make the FAIR program more effective and equitable for all Hawaiian homeowners, particularly those like yourself facing unique challenges in high-risk areas.

Mahalo,

Jessica Herzog - Condo Owner Oahu
mssc403@gmail.com

707.340.5786

www.leewardrepair.com

SB-1140

Submitted on: 1/29/2025 9:52:16 PM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Miri Yi	Individual	Support	Written Testimony Only

Comments:

Aloha,

Submitting testimony **in support** of this bill.

Mahalo,

Miri Y.