
A BILL FOR AN ACT

RELATING TO INSURANCE FOR HAWAII CONDOMINIUM PROPERTIES.

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

PART I

SECTION 1. The legislature finds that, before the 2023 Maui wildfires, the availability of condominium building master property insurance policy options within the condominium insurance marketplace was shrinking. Due in part to this shrinking, the cost of condominium building master insurance policies has increased exponentially, with insurers increasing deductible amounts from approximately \$10,000 to \$25,000 per unit, per occurrence, to as much as \$250,000.

The legislature also finds that while the State has not experienced a direct major impact from a major hurricane since hurricane Iniki devastated Kauai and damaged homes along Oahu's leeward coast more than thirty years ago, mortgage lenders continue to require Hawaii homeowners to carry hurricane insurance, which can cost two to three times the amount of annual premiums of a conventional homeowner policy. The governor's emergency proclamation dated August 7, 2024, and



1 updated on October 7, 2024, enabled the executive branch to
2 provide additional options for condominium associations to
3 purchase hurricane and property insurance for their buildings by
4 authorizing:

5 (1) Loans to the Hawaii hurricane relief fund and the
6 Hawaii property insurance association to facilitate
7 the issuance of hurricane and property insurance
8 policies to condominium associations; and

9 (2) The Hawaii hurricane relief fund to issue hurricane
10 insurance policies for large condominium buildings,
11 and to set policy limits.

12 The legislature acknowledges that although insurance
13 coverage, excluding hurricane coverage, for condominium
14 buildings is available in the standard insurance market, the
15 availability of this coverage is not guaranteed. The city and
16 county of Honolulu's requirement for mandatory fire sprinkler
17 retrofits or alternative fire safety upgrades in older
18 condominium properties that are subject to ordinance 18-14, as
19 amended by ordinance 22-2, has resulted in higher insurance
20 premiums and expenses for more than three hundred high-rise
21 properties that are subject to that ordinance.



1 The purpose of this part is to require property insurers to
2 offer specific discounts to condominium associations that
3 undertake risk mitigation strategies that improve building
4 safety and resilience by reducing the likelihood of significant
5 damage and subsequent insurance claims.

6 SECTION 2. Chapter 431, Hawaii Revised Statutes, is
7 amended by adding a new part to article 10E to be appropriately
8 designated and to read as follows:

9 **"PART . CONDOMINIUMS; DISCOUNTS FOR RISK MITIGATION UPGRADES**

10 **§431:10E-A Definitions.** As used in this part:

11 "Association" has the same meaning as defined in section
12 514B-3.

13 "Condominium" has the same meaning as defined in section
14 514B-3.

15 "Property insurer" means any entity providing property
16 insurance in the State under this chapter.

17 **§431:10E-B Insurance premiums; discounts for risk**
18 **mitigation upgrades, strategies, and plans.** Each property
19 insurer that provides property insurance to an association
20 pursuant to section 514B-143(a)(1) shall offer discounts on the



1 association's annual insurance premium if the association adopts
2 the following risk mitigation upgrades:

3 (1) For the following disaster-resiliency upgrades, a
4 discount equal to:

5 (A) \$ for the installation of
6 impact-resistant windows;

7 (B) \$ for the installation of flood
8 barriers and sandbags;

9 (C) \$ for the installation of drainage
10 improvements and waterproofing of building
11 foundations;

12 (D) \$ for the use of fire-resistant
13 materials;

14 (E) \$ for the installation of sprinkler
15 systems;

16 (F) \$ for the creation of defensible space
17 between the building and surrounding areas; and

18 (G) \$ for seismic safety improvements;

19 (2) For the following planned maintenance improvements, a
20 discount equal to:



- 1 (A) \$ for the implementation of annual
2 structural inspections;
- 3 (B) \$ for the implementation of annual roof
4 maintenance;
- 5 (C) \$ for the implementation of annual
6 sealing and waterproofing maintenance;
- 7 (D) \$ for the implementation of annual
8 heating, ventilation, and air conditioning
9 maintenance;
- 10 (E) \$ for the implementation of annual
11 plumbing maintenance; and
- 12 (F) \$ for the implementation of annual fire
13 and safety system maintenance, including
14 maintenance and testing of fire extinguishers,
15 alarm systems, and elevator safety; and
- 16 (3) For the adoption of the following smart building
17 technologies that enhance the building's resilience by
18 providing real-time monitoring, a discount equal to:
- 19 (A) \$ for the installation of leak
20 detection sensors;



1 (B) \$ for the installation of wind and
2 seismic sensors;
3 (C) \$ for the installation of smart smoke
4 alarms that are connected to a central monitoring
5 system;
6 (D) \$ for the installation of automated
7 sprinkler systems;
8 (E) \$ for the installation of energy
9 management and heating, ventilation, and air
10 conditioning monitoring systems;
11 (F) \$ for the installation of security
12 systems that utilize smart building technologies;
13 and
14 (G) \$ for the installation of building
15 health monitoring systems.

16 **§431:10E-C Insurance premiums; discounts; disaster**
17 **response plans.** Each property insurer that provides property
18 insurance to an association pursuant to section 514B-143(a)(1)
19 shall offer a discount on the association's annual insurance
20 premium equal to \$ if the association develops a



comprehensive disaster response plan to minimize losses and claims in an emergency.

§431:10E-D Rules. The commissioner shall adopt rules pursuant to chapter 91 necessary to implement this part, including rules that specify the requirements that an association must meet to qualify for the discounts specified in sections 431:10E-B and 431:10E-C."

PART II

SECTION 3. The legislature finds that condominium projects on Oahu that have completed and filed life safety evaluations and installed fire safety upgrades or are in the process of actively pursuing the recommendations in the life safety evaluation report, as evidenced by the hiring of a licensed design professional and active pursuit of a permit for the improvements, should receive justifiable insurance premium adjustments based on their proactive risk-reduction efforts.

Accordingly, the purpose of this part is to regulate insurance premium increases for condominium projects that have undertaken life safety evaluations and are installing or have installed fire safety upgrades.



1 SECTION 4. Chapter 431, Hawaii Revised Statutes, is
2 amended by adding a new part to article 10E to be appropriately
3 designated and to read as follows:

4 **"PART . INSURANCE PREMIUM INCREASES**

5 **§431:10E-AA Definitions.** As used in this part:

6 "Condominium project" has the same meaning as defined in
7 section 514B-3.

8 "Condominium project that has received or is actively
9 pursuing an acceptable score on a building fire and life safety
10 evaluation" means a condominium project:

11 (1) Located in a county that has adopted an ordinance that
12 amends the state fire code by:

13 (A) Authorizing the use of fire prevention and fire
14 safety systems as an alternative to the use of an
15 approved automatic sprinkler system; and

16 (B) Requiring the condominium project to receive an
17 acceptable score on a building fire and life
18 safety evaluation for the alternative to the
19 required use of an approved automatic sprinkler
20 system; and

21 (2) That has either:



(A) Received and currently maintains an acceptable score on a building fire and life safety evaluation for the alternative to the required use of an approved automatic sprinkler system; or

(B) Completed a building fire and life safety evaluation for the alternative to the required use of an approved automatic sprinkler system and:

(i) Is actively pursuing the recommendations of the evaluation by hiring a licensed design professional;

(ii) Is actively pursuing a permit for the improvements; and

(iii) Will complete the improvements by the beginning of the next property insurance policy period.

"Premium increase" means any upward adjustment in the insurance premiums charged by a property insurer for coverage on a condominium project.

"Property insurer" means any entity providing property insurance in the State under this chapter.



1 **§431:10E-BB Insurance premium adjustment.** (a) Any

2 property insurance premium increase shall be:

3 (1) Based on actuarial justifications that reflect actual
4 risk reduction resulting from upgraded fire safety
5 improvements installed in conjunction with a building
6 fire and life safety evaluation; and

7 (2) Accompanied by a detailed, written explanation,
8 including actuarial data and risk assessments
9 supporting the increase.

10 (b) No property insurance premium applicable to a
11 condominium project that has received or is actively pursuing an
12 acceptable score on a building fire and life safety evaluation
13 shall be increased by more than ten per cent from the previous
14 year unless the property insurer demonstrates, through
15 independently verified data, that an amount in excess of ten per
16 cent is necessary due to external factors, including natural
17 disaster risk assessments or market-wide claims experience.

18 **§431:10E-CC Filing and oversight requirements.** (a) Each

19 property insurer that provides property insurance to an
20 association pursuant to section 514B 143(a)(1) shall file an
21 annual report with the commissioner detailing and providing



1 justification for all premium increases, including but not
2 limited to:

3 (1) Any actuarial data used to justify a premium increase;

4 and

5 (2) A summary of any predictive modeling tools and
6 techniques, including catastrophe modeling, used to
7 justify a premium increase; provided that the summary
8 shall include a description of each modeling tool or
9 technique, the results of the modeling done using the
10 tool or technique, and an explanation of why those
11 results justify a premium increase.

12 (b) If a property insurer believes that any portion of the
13 report filed pursuant to subsection (a) includes proprietary
14 information that should be withheld from disclosure as
15 confidential, then the property insurer shall inform the
16 commissioner in writing and provide justification to support the
17 property insurer's claim.

18 (c) The commissioner shall review the information
19 submitted pursuant to subsection (b) and determine whether the
20 information should be withheld from disclosure as confidential.
21 The commissioner's decision shall be final. If the commissioner



determines that the information is confidential, the information shall be exempt from public disclosure to the extent permitted by chapter 92F.

(d) The commissioner shall make all reports available to the public on the insurance division's website; provided that any portion of the report deemed confidential pursuant to subsection (c) shall not be disclosed.

(e) The commissioner shall review property insurer filings to ensure compliance with this part and investigate complaints of unjustified premium increases.

§431:10E-DD Penalties. (a) Any property insurer that imposes a premium increase in violation of section 431:10E-BB shall:

(1) Be subject to a fine of up to \$10,000 per violation;

and

(2) Refund excessive increases in premium payments.

(b) The commissioner may suspend or revoke the license to operate in the State of any property insurer that commits five or more violations of this part within a ten-year period."

PART III



1 SECTION 5. If any provision of this Act, or the
2 application thereof to any person or circumstance, is held
3 invalid, the invalidity does not affect other provisions or
4 applications of the Act that can be given effect without the
5 invalid provision or application, and to this end the provisions
6 of this Act are severable.

7 SECTION 6. This Act does not affect rights and duties that
8 matured, penalties that were incurred, and proceedings that were
9 begun before its effective date.

10 SECTION 7. This Act shall not be applied so as to impair
11 any contract existing as of the effective date of this Act in a
12 manner violative of either the Constitution of the State of
13 Hawaii or Article I, Section 10, of the United States
14 Constitution.

15 SECTION 8. In codifying the new sections added by sections
16 2 and 4 of this Act, the revisor of statutes shall substitute
17 appropriate section numbers for the letters used in designating
18 the new sections in this Act.

19 SECTION 9. This Act shall take effect on July 1, 2050.



Report Title:

Condominiums; Property Insurance; Insurance Premiums; Discounts; Risk Mitigation Upgrades; Disaster Response Plans; Fire and Life Safety Evaluation

Description:

Requires property insurers to offer discounts on a condominium association's annual insurance premium if the association adopts specific risk mitigation upgrades or develops comprehensive disaster response plans. Requires property insurers of condominiums to base premium increases on actuarial justifications that reflect actual risk reduction resulting from upgraded fire safety improvements installed in conjunction with a building fire and life safety evaluation. Requires property insurers of condominiums to justify premium increases above ten per cent. Requires property insurers of condominiums to publicly report premium increases each year. Effective 7/1/2050. (SD2)

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

