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TO THE HOUSE COMMITTEE ON PUBLIC SAFETY

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Thursday, January 29, 2009
8:30 a.m.

TESTIMONY ON HOUSE BILL NO. 515 – RELATING TO INSURANCE.

TO THE HONORABLE FAYE P. HANOHANO, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports this bill.

The Hawaii Hurricane Relief Fund (“HHRF”) will restart if there is another property insurance scarcity. This will likely follow another hurricane, but could also result if insurers pull back from writing higher risk properties. HHRF is currently dormant. If there is another hurricane and HHRF is not available to play any role, it may raise questions. Allowing the HHRF Board of Directors to put money into the Hawaii insurance guaranty association (“HIGA”) at their discretion will make it possible for HHRF to help out in the next hurricane disaster if a private insurer should become insolvent.

When a property and casualty insurer becomes insolvent, HIGA will assess its member insurance companies. This assessment is passed on to the customers of the insurance companies. Because moneys in the HHRF came from an assessment on property and casualty insurers that is very similar in nature to the proposed HIGA

assessment, we believe this is a similar use to the HHRF. If HIGA can with HHRF's help, keep private insurers in the market after a hurricane, we may not need HHRF to restart.

It is true that HIGA should be able to handle the matter by itself, but if there is a big hurricane and a big deficiency, the assessment on the public could be burdensome. This is a way of providing an option for the government to play a role.

Finally, since HHRF can decide whether to give moneys to HIGA or not, it can retain the funds necessary for a restart.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.



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January 28, 2009

The Honorable Faye P. Hanohano, Chair
House Committee on Public Safety
State Capitol, Room 309
Honolulu, Hawaii 96813

RE: H.B. 515 Relating to Insurance

Aloha Chair Hanohano, Vice Chair Aquino, and members of the Committee:

On behalf of our 9,600 members in Hawai'i, the Hawai'i Association of REALTORS® (HAR) submits comments on H.B. 515.

H.B. 515 authorizes the transfer of moneys from the Hurricane Reserve Trust Fund to the Hawaii Insurance Guaranty Association for the payment of covered claims against an insolvent insurer when (1) the insolvency was caused by a hurricane; and (2) the Hawaii hurricane relief fund has no hurricane insurance policy in force.

HAR believes that the most practical and responsible use of the hurricane relief funds is to use them for the purpose for which they were collected - - to protect and provide for the public in the event of a hurricane.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

Hawaii Hurricane Relief Fund

335 Merchant Street #213

Honolulu, HI 96813

Twenty-Fifth Legislature
Regular Session 2009

TESTIMONY BEFORE THE HOUSE COMMITTEE ON PUBLIC SAFETY

Thursday, January 29, 2009

Conference Room 309, 8:30 a.m.

To the Honorable Chair Faye P. Hanohano and the members of the Committee.

My name is Thomas Singlehurst and I am the Chair of the Hawaii Hurricane Relief Fund Board (“HHRF”) of Directors (“Board”). I am testifying on behalf of the Board in support of H.B. No. 515, which allows HHRF to backstop the Hawaii insurance guaranty association (“HIGA”).

The HHRF has been dormant since the end of 2002. For eight years prior to that it provided hurricane insurance in Hawaii when private insurers were unwilling to do so. This not only provided lower cost insurance to homeowners than being forced placed in the unregulated surplus lines market, but also enabled the mortgage lending and real estate industries to continue doing business, thus helping the overall economy. The HHRF stands ready to return to the market if another hurricane insurance scarcity arises due to a large hurricane in Hawaii or other catastrophic event worldwide that affects the reinsurance market.

Although we cannot say when the next hurricane will occur, we do know that one will occur. It is a not a question of “if”, but “when”. Hawaii faces a perennial risk of hurricanes.

Since the HHRF is now dormant, it will not provide backing for the next hurricane. One way to make HHRF more useful in the near term is to allow it to backstop HIGA. That way, if an insurer goes insolvent due to a hurricane, HHRF can help to repair the market and help homeowners.

Since HHRF’s moneys were collected from property and casualty policyholders, very much in the same way that HIGA moneys are to be collected, we think this will save the public money down the road.

We thank this Committee for the opportunity to submit testimony.