

SB589

Measure Title: RELATING TO INSURANCE.
Report Title: Property Insurance; Hawaii Property Insurance Association; Renewal
Description: Requires the renewal of property insurance, but permits insurers to deny renewal for nonpayment of an undisputed premium by a policyholder.
Companion:
Package: None
Current Referral: CPN, JDL
Introducer(s): RUDERMAN, Baker, Gabbard, Inouye

<u>Sort by Date</u>		Status Text
1/23/2015	S	Introduced.
1/26/2015	S	Passed First Reading.
1/26/2015	S	Referred to CPN, JDL.
1/30/2015	S	The committee(s) on CPN has scheduled a public hearing on 02-03-15 9:00AM in conference room 229.



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Tuesday, February 3, 2015
9:00 a.m.

TESTIMONY ON SENATE BILL NO. 589 – RELATING TO INSURANCE.

TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department takes no position on this bill and submits the following comments:

This bill requires the renewal of property insurance but permits insurers to deny renewal for nonpayment of an undisputed premium by a policyholder. As this bill is currently written to apply to all property insurers, this requirement may discourage certain insurers from writing property insurance or even to encourage them to exit the Hawaii market.

If the intent is to provide relief to those in the Puna area impacted by the recent lava flow, the Department would be willing to work with interested parties to address non-renewals of policies in areas threatened by a lava flow.

We thank this Committee for the opportunity to present testimony on this matter.



Pauahi Tower, Suite 2010
1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison H. Ueoka
Executive Director

TESTIMONY OF ALISON UEOKA

SENATE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Tuesday, February 3, 2015

9:00 a.m.

SB 589, SB 994, SB1193

Chair Baker, Vice Chair Taniguchi, and members of the Committee, my name is Alison Ueoka, Executive Director of the Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately thirty-six percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council opposes SB 589, SB 994, and SB 1193. These bills address the current situation in Puna where there has been difficulty in placing new insurance while the lava flow is advancing toward homes. The impact of these bills on the property and casualty insurance industry vary from potentially tightening only the property insurance market to possibly tightening the entire property and casualty insurance market.

Hawaii Insurers Council is active in finding a workable solution for both insurers to ensure the property market remains stable and to insureds in Puna regarding insurance coverage while the lava could potentially destroy homes. There are many issues to consider and there are widespread potential consequences to legislative mandates. Some of the issues that HIC are considering follows:

1. If HPIA is allowed to grow unchecked, its losses could exceed the capacity to pay and place the burden first on the insurance industry and then on its policyholders

including non-property policyholders. Because insurers may only recoup losses 2% at a time, there may be large losses insurers will have to front for years. Perhaps limited growth in HPIA is a consideration and a general fund infusion should monies in HPIA be insufficient.

2. If carriers are required to take all comers and keep all policies, there may be a marketplace tightening in all areas of property and casualty insurance throughout the state. Consider allowing insurers to nonrenew at a capped rate.
3. Insurers must be able to underwrite. If an insurer must take any risk regardless of its condition, this creates a significant moral hazard and greatly increases their exposures. Consider continuing to allow all insurers and HPIA to underwrite risks.
4. Every situation in which the exposure for losses is increased for Puna will transfer that exposure to others in Hawaii.

Hawaii Insurers Council stands ready to assist the Legislature in finding a mutual solution. Thank you for this opportunity to testify.

SB589

Submitted on: 2/1/2015

Testimony for CPN on Feb 3, 2015 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Ursula Snover	Individual	Support	No

Comments: