

JAN 20 2023

A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

1 SECTION 1. The legislature finds that earthquakes can
2 cause substantial property damage to buildings within affected
3 areas. Further, the United States Geological Survey reports
4 that the State of Hawai'i experiences thousands of earthquakes
5 per year, with the island of Hawai'i experiencing these events
6 especially frequently. The legislature notes that, due to the
7 potential damage and high probability of earthquakes, property
8 owners may wish to obtain earthquake insurance.

9 The legislature further finds that, using data published by
10 the United States Geological Survey on December 22, 2021, the
11 State of Hawai'i can be divided into five seismic hazard zones.
12 Each zone has a risk chance, which is the probability of the
13 zone facing a damaging earthquake within the next one hundred
14 years. The red zone, which includes the entire island of
15 Hawai'i, the entire island of Maui, the entirety of Kaho'olawe,
16 and eastern Lanai, contains three hundred forty-five thousand
17 people and has a risk chance greater than ninety per cent. The



1 dark orange zone, which includes western Lanai and the entirety
2 of Moloka'i, contains six thousand people and has a risk chance
3 ranging from seventy-five to ninety per cent. The light orange
4 zone, which includes eastern O'ahu, contains six hundred and one
5 thousand people and has a risk chance ranging from fifty to
6 seventy-five per cent. The yellow zone, which includes central
7 and western O'ahu, contains three hundred ninety-seven thousand
8 people and has a risk chance ranging from twenty-five to fifty
9 per cent. The green zone, which includes Kauai and Ni'ihau,
10 contains seventy thousand people and has a risk chance less than
11 twenty-five per cent.

12 The legislature further finds that condominiums are
13 governed by associations, in which all owners of condominium
14 units are voting members. Additionally, condominium
15 associations are required to maintain property insurance,
16 commercial general liability insurance, and a fidelity bond.
17 However, the legislature also notes that none of these mandatory
18 insurances include earthquake insurance. The legislature
19 further finds that earthquake insurance policies are not offered
20 for individual condominium units, meaning that the owner of a



1 condominium unit can only obtain earthquake insurance if a
2 policy is purchased for the entire condominium building.

3 Accordingly, the purpose of this Act is to require
4 associations of condominium owners to purchase earthquake
5 insurance for the entirety of their condominium buildings.

6 SECTION 2. Section 514B-143, Hawaii Revised Statutes, is
7 amended by amending subsection (a) to read as follows:

8 "(a) Unless otherwise provided in the declaration or
9 bylaws, the association shall purchase and at all times maintain
10 the following:

11 (1) Property insurance:

12 (A) On the common elements;

13 (B) Providing coverage for special form causes of
14 loss; and

15 (C) In a total amount of not less than the full
16 insurable replacement cost of the insured
17 property, less deductibles, but including
18 coverage for the increased costs of construction
19 due to building code requirements, at the time
20 the insurance is purchased and at each renewal
21 date;



1 (2) Commercial general liability insurance against claims
2 and liabilities arising in connection with the
3 ownership, existence, use, or management of the
4 property in a minimum amount of \$1,000,000, or a
5 greater amount deemed sufficient in the judgment of
6 the board;

7 (3) A fidelity bond, as follows:

8 (A) An association with more than five dwelling units
9 shall obtain and maintain a fidelity bond
10 covering persons, including the managing agent
11 and its employees who control or disburse funds
12 of the association, in an amount equal to \$500
13 multiplied by the number of units; provided that
14 the amount of the fidelity bond required by this
15 paragraph shall not be less than \$20,000 nor
16 greater than \$200,000; and

17 (B) All management companies that are responsible for
18 the funds held or administered by the association
19 shall be covered by a fidelity bond as provided
20 in section 514B-132(a)(3). The association shall
21 have standing to make a loss claim against the



1 bond of the managing agent as a party covered
2 under the bond; ~~and~~

3 (4) Earthquake insurance:

4 (A) On the common elements, the condominium units,
5 and any personal items within the condominium
6 units; and

7 (B) Providing coverage for the full cost of the
8 insured items and property; and

9 ~~[(4)]~~ (5) The board shall obtain directors and officers
10 liability coverage at a level deemed reasonable by the
11 board, if not otherwise limited by the declaration or
12 bylaws."

13 SECTION 3. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 4. This Act shall take effect upon its approval.

16 INTRODUCED BY: Kal Aboud



S.B. NO. 988

Report Title:

Condominium Associations; Earthquake Insurance

Description:

Requires associations of condominium owners to purchase earthquake insurance for their entire buildings.

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

