Honolulu, Hawaii

APR 0 5 ' 2024

RE: S.B. No. 3234

S.D. 1 H.D. 2

Honorable Scott K. Saiki Speaker, House of Representatives Thirty-Second State Legislature Regular Session of 2024 State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 3234, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE STABILIZATION OF PROPERTY INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to amend the laws relating to the Hawaii Hurricane Relief Fund (Fund) and Hawaii Property Insurance Association (Association) by:

- (1) Imposing a different transient accommodation tax rate for transient vacation rentals and a property insurance surcharge on conveyance tax rates to capitalize the Association and Fund;
- (2) Expanding the statutory authorization for the Association to issue property insurance for certain condominiums and amending the designated geographic area eligible for coverage to specifically include lava zones 1 and 2;
- (3) Requiring Association member insurers and licensed property and casualty insurers to recoup assessment

costs paid into the Association and Fund through a surcharge on premiums;

- (4) Requiring coverage limits and deductibles and fund capitalization amounts for licensed property and casualty insurers to be established in a plan of operation for the Fund, subject to approval by the Insurance Commissioner; and
- (5) Authorizing the Insurance Commissioner to reinstate the Special Mortgage Recording Fee to capitalize the Fund.

Your Committee received testimony in support of this measure from the Hawaii Green Infrastructure Authority; Honolulu Tower Association of Apartment Owners; Hawaii Financial Services Association; Hawaii Credit Union League; Hawaii Bankers Association; Mortgage Bankers Association of Hawaii; Holomua Collaborative; and two individuals. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs; Department of Taxation; State Farm Mutual Automobile Insurance Company; Maui Chamber of Commerce; Hawaii Insurers Council; Hawaii Association of REALTORS; Grassroot Institute of Hawaii; and Land Use Research Foundation of Hawaii.

Your Committee has amended this measure by:

- (1) Amending the plan of operation requirements of the Association and the Fund to include specific criteria that condominium associations must meet to qualify for insurance under each entity;
- (2) Explicitly providing that the Association and the Fund shall only be utilized as an insurer of last resort and requiring proof that an applicant has not been able to obtain property insurance from insurers licensed to conduct business in the State;
- (3) Establishing for a limited time a Temporary Property Insurance Stabilization Fee on real property transactions to capitalize operations of the Association and Fund;

- (4) Clarifying that the Fund shall provide for the repayment of any funds or revenues received through bond issuances after the Fund is sufficiently capitalized;
- (5) Appropriating an unspecified amount of general funds and authorizing the issuance of an unspecified amount of general obligation bonds to capitalize the Fund; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3234, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3234, S.D. 1, H.D. 2.

Respectfully submitted on behalf of the members of the Committee on Finance,

17. De

KYLE T. YAMASHITA, Chair

State of Hawaii House of Representatives The Thirty-second Legislature | + SCR 1833-24

Record of Votes of the Committee on Finance

Bill/Resolution No.: Committee CPC, CPC, CPC, CPC, CPC, CPC, CPC, CP	Date: 4 2 20 24			
☐ The committee is reconsidering its previous decision on the measure.				
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. YAMASHITA, Kyle T. (C)	V		Principal de la company de La company de la company de	
2. KITAGAWA, Lisa (VC)		e de la companya de l		
3. AIU, Micah P.K.			Hullen Frühlung	
4. CHUN, Cory M.	A SECTION OF THE PROPERTY OF T	E STANDARD TO STANDARD STANDARD	The state of the s	To Department of the Control of the
5. COCHRAN, Elle	V.		The dispersion of the second	
6. GARRETT, Andrew Takuya	<u> </u>	V. Translation of the Company of the		Mental de la companya del companya de la companya del companya de la companya de
7. KAHALOA, Kirstin	V			
8. KILA, Darius K.	<u> </u>			
9. KOBAYASHI, Bertrand	Milliot Van gar			
10. LAMOSAO, Rachele F.				
11. MORIKAWA, Dee 12. NISHIMOTO, Scott Y.	V		ALL CONTROL OF THE PARTY OF THE	
13. POEPOE, Mahina		da mijera.	and the second second second	
14. TAKENOUCHI, Jenna				
15. ALCOS III, David				
16. WARD, Gene				
Too Williams, Gold				
TOTAL (16)	14	D	0	2
The recommendation is: Adopted Not Adopted				
If joint referral, did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				