

Honolulu, Hawaii

APR 05, 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; Hawai'i 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,



KYLE T. YAMASHITA, Chair



