

LAW OFFICES OF PHILIP S. NERNEY, LLLC

A LIMITED LIABILITY LAW COMPANY
335 MERCHANT STREET, #1534, HONOLULU, HAWAII 96806
PHONE: 808 537-1777

February 11, 2023

Chair Jarrett Keohokalole
Vice Chair Carol Fukunaga
Committee on Commerce and Consumer Protection
415 South Beretania Street
Honolulu, Hawaii 96813

Re: **SB 988 OPPOSE**

Dear Chair Keohokalole, Vice Chair Fukunaga and Committee Members:

SB 988 would impose an unfunded mandate upon consumers. The bill demonstrates no appreciation for the cost of that mandate.

The Committee should understand the impact of the mandate upon the consumers who pay the bills of an association. It is always necessary to recognize that "the common expenses shall be charged to[] the unit owners. . .in proportion to the common interest appurtenant to their respective units[.]"¹

Stated differently, SB 988 would cause maintenance fees to go up. Insurance professionals would be able to specify by how much.

SB 988 would also require coverage for "personal items with the condominium units;" which is in no way an association responsibility. Even with respect to *units*, current law does not oblige associations to insure "improvements and betterments"² within units, and allows for assessment against particular owners if improvements and betterments are covered.

¹ "[§514B-41] **Common profits and expenses.** (a) The common profits of the property shall be distributed among, and the common expenses shall be charged to, the unit owners, including the developer, in proportion to the common interest appurtenant to their respective units, except as otherwise provided in the declaration or bylaws. In a mixed-use project containing units for both residential and nonresidential use, the charges and distributions may be apportioned in a fair and equitable manner as set forth in the declaration. Except as otherwise provided in subsection (c) or the declaration or bylaws, all limited common element costs and expenses, including but not limited to maintenance, repair, replacement, additions, and improvements, shall be charged to the owner or owners of the unit or units to which the limited common element is appurtenant in an equitable manner as set forth in the declaration."

² HRS §514B-143(b) provides as follows:

"(b) If a building contains attached units, the insurance maintained under subsection (a)(1), to the extent reasonably available, shall include the units, the limited common elements, except as otherwise determined by the board, and the common elements. The insurance need not cover improvements and betterments to the units installed by unit owners, but if improvements and betterments are covered, any increased cost may be assessed by the association against the units affected.

For the purposes of this section, 'improvements and betterments' means all decorating, fixtures, and furnishings installed or added to and located within the boundaries of the unit, including electrical fixtures, appliances, air conditioning and heating equipment, water heaters, or built-in cabinets installed by unit owners." Emphasis added.

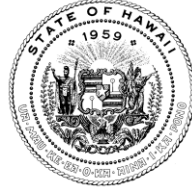
Chair Jarrett Keohokalole
Vice Chair Carol Fukunaga
February 11, 2023
Page 2 of 2

SB 988 is properly animated. It would unreasonably burden consumers, however, and goes beyond the usual risks reflected within condominium law. The Committee should defer SB 988.

Very truly yours,

/s/ Philip Nerney

Philip S. Nerney



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA
SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

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DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

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Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Commerce and Consumer Protection
Thursday, February 16, 2023
9:30 a.m.

State Capitol, Conference Room Conference Room 229 Via Videoconference

On the following measure:
S.B. 988, RELATING TO INSURANCE

Chair Keohokalole and Members of the Committee:

My name is Gordon Ito, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department offers comments on this bill.

The purpose of this bill is to require associations of condominium owners to purchase earthquake insurance for their entire buildings.

We appreciate the intent of this bill. However, we note that it may be challenging for associations of condominium owners to obtain the insurance mandated by this bill.

Thank you for the opportunity to testify.

SB-988

Submitted on: 2/14/2023 8:33:37 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Paul A. Ireland Koftinow	Individual	Oppose	Remotely Via Zoom

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these

items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Paul A. Ireland Kofitnow

Testimony Opposing SB988

Submitted for: Commerce and Consumer Protection Committee Hearing, scheduled to be heard on Thursday, 2/16/23 at 9:30 AM.

Aloha Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee,

I strongly oppose SB988.

The cost of earthquake insurance can be very expensive. At my Association we are paying over \$500,000 for insurance in 2023, which does not include earthquake insurance. Associations throughout the U.S. routinely make the decision whether or not to purchase earthquake insurance as a separate policy from their master policy. This is done each year at their Annual Meetings by a vote of the membership.

To highlight one excerpt from SB988:

The legislature further finds that condominiums are governed by associations, in which all owners of condominium units are voting members.

Too often in legislative hearings, when Bills are discussed and testimony is presented, those speaking say that Associations are self-governed. A question that needs to be asked is this; then why is the legislature trying to impose “their” will on those that should be governing themselves? Shouldn’t the voting members of the Association decide what happens at the Association and determine if they want earthquake insurance by voting (which is common practice at Associations all across the U.S.)?

I ask the Committee and all State Legislators to please vote against SB988, or amend it to require a vote, for or against earthquake insurance, by all owners at their annual meetings.

And I ask you to support and act on SB1201 and SB1202, which were introduced by the Kokua Council on behalf of our kupuna and all residents of Hawaii.

Mahalo,

Gregory Misakian

2nd Vice President, Kokua Council
Board Member, Waikiki Neighborhood Board

The Kokua Council is one of Hawaii’s oldest elder advocacy groups. We advocate for issues, policies, and legislation that impact the well-being of seniors and our community.

SB-988

Submitted on: 2/14/2023 12:20:30 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jane Sugimura	Testifying for Hawaii Council for Assoc. of Apt. Owners	Oppose	Written Testimony Only

Comments:

HCCA opposes this bill and ask that you defer action on it because this type of coverage is unnecessary and will only add expense to condo owners.

SB-988

Submitted on: 2/13/2023 3:20:47 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Idor Harris	Testifying for Honolulu Tower AOA	Oppose	Written Testimony Only

Comments:

Honolulu Tower is a 396 unit condominium built in 1982 located at the corner of Maunakea and N. Beretania Streets. The Honolulu Tower Association of Apartment Owners board of directors (comprised of nine elected volunteer members, none of whom receive compensation) voted unanimously, at its Feb. 6, 2023 meeting, to oppose SB988.

At the April 2022 board meeting, the board met with our insurance agent to review the renewal policies. At that time an owner raised the question of earthquake insurance. Board members and owners were informed it is very expensive and only one association on the Island of Hawaii has this coverage. The board decided not to purchase the insurance.

On a risk reward basis and complaints from owners that maintenance payments are rising too much (the increase for 2023 was almost 10%) the board decided to forgo this coverage.

We ask that you defer this measure.

Idor Harris

Resident Manager, Honolulu Tower

SB-988

Submitted on: 2/14/2023 2:54:32 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Michael targgart	Testifying for Makaha valley towers	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

1. the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

1. while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.
2. summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

<michael Targgart

SB-988

Submitted on: 2/11/2023 6:14:59 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mike Golojuch, Sr.	Testifying for Palehua Townhouse Association	Oppose	Written Testimony Only

Comments:

Palehua Townhouse Association opposes SB988.

Mike Golojuch, Sr., President

SB-988

Submitted on: 2/14/2023 9:04:00 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jeff Marsh	Testifying for The Palms at Wailea	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

1. the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.
1. while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite

countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

2. summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Jeff Marsh

Site Manager

The Palms at wailea AOAO

P.O. Box 976
Honolulu, Hawaii 96808

Testimony Regarding SB 988

Date: Thursday, February 16, 2023

Time: 9:30 am

Place: Conference Room 229 and via video conference

Chair Keohokalole, Vice Chair Fukunaga and Committee Members,

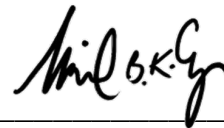
My name is Michael Ayson and I am testifying on behalf of the Legislative Action Committee of The Community Associations Institute, Hawaii Chapter ("CAI"). CAI is a national organization devoted to improving the management and operation of condominium and other homeowner associations. I have been an insurance agent in Hawaii since 2003 and handle the insurance for associations throughout the State.

CAI opposes SB988 which would require condominium associations to purchase Earthquake insurance for condominium buildings and personal property within units for their full replacement cost. Here are some of the reasons why CAI is opposed to this bill.

- It would be a very large financial burden for associations. In most situations self-insuring would make more sense.
 - o Earthquake premiums are high. Earthquake policies are typically subject to a minimum premium of \$10,000 to \$15,000. This would be especially burdensome for associations with few units. The rates are also high. There are a lot of factors that are considered in determining Earthquake premiums such as location and construction type, but requiring Earthquake insurance could easily add an additional 20% to the association's insurance costs.
 - o Deductibles are high. Earthquake deductibles usually range from 2% to 5% of the damaged property's value which would cause many claims to not be covered. A \$10 million building, for example, would have a deductible around \$200,000 to \$500,000.

- o Requiring full replacement cost would be especially expensive. Many associations that currently purchase Earthquake insurance do so with a limit that is less than the full replacement cost. This allows associations to purchase a limit that they are comfortable with at a premium they can afford. No prior earthquake losses in Hawaii have come remotely close to completely destroying all buildings and personal property at a condominium association.
- Associations do not have an insurable interest in the owners' personal property in units. Without an insurable interest it is not possible for an association to insure personal property within a unit. Personal Property within units should be insured by the owner of the personal property not the association.
- Associations can already purchase Earthquake insurance if they want. Per §514B-143 (e), associations can currently purchase earthquake coverage if their governing documents require it or if their Board's deem it appropriate. Since the risk varies greatly based on location and construction type the current system seems appropriate.

Sincerely,



Michael Ayson, CIC & CIRMS
CAI LAC Hawaii

SB-988

Submitted on: 2/14/2023 4:44:24 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Primrose Leong-Nakamoto	Testifying for AOOU POAMOHO CAMP	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

1. the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.
1. while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite

countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

2. summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Primrose K. Leong-Nakamoto (S)

SB-988

Submitted on: 2/14/2023 5:58:19 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mark McKellar	Testifying for Law Offices of Mark K. McKellar, LLC	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad

language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Mark McKellar

HAWAII LEGISLATIVE
ACTION COMMITTEE


community
ASSOCIATIONS INSTITUTE

P.O. Box 976
Honolulu, Hawaii 96808

Testimony Regarding SB 988

Date: Thursday, February 16, 2023

Time: 9:30 am

Place: Conference Room 229 and via video conference

Chair Keohokalole, Vice Chair Fukunaga and Committee Members,

My name is Elaine Panlilio, and I am testifying on behalf of the Legislative Action Committee of The Community Associations Institute, Hawaii Chapter ("CAI"). CAI is a national organization devoted to improving the management and operation of condominium and other homeowner associations.

I have been an insurance agent in Hawaii since 2006 and handle the insurance for community associations throughout the State of Hawaii.

CAI opposes SB988 which would require condominium associations to purchase Earthquake insurance for the entire condominium building, (on the common elements and the condominium units) and any personal items within the condominium units.

Here are some of the reasons why CAI is opposing this bill.

1. **It would create a very large financial burden for condominium associations and possible financial hardship for condominium unit owners.**

In most situations self-insuring would make more sense.

- a. **Earthquake premiums are expensive.** Earthquake policies are subject to minimum annual premiums starting at \$10,000 to \$15,000. These minimum premiums are the minimum base rates for up to \$10 million of building coverage. What this means is that a building with a replacement cost of \$5 million would pay the same minimum premium as a building with a replacement cost of \$10 million. This would be especially burdensome for associations with fewer units. There are a lot of factors that determine Earthquake premiums such as seismic hazard

zones, location, building construction type and age of the building. Requiring Earthquake insurance could easily add an additional 20% to 50% of the association's insurance costs.

- b. **Earthquake Deductibles are high causing most claims to be uncoverable.** Earthquake deductibles range from 2% to 5% of the building replacement cost. A \$10 million building for example, would have a deductible of \$200,000 to \$500,000 (or 2% to 5%).
- c. **Requiring full replacement cost would be very expensive.** Many associations that have Earthquake insurance purchase coverage at a limit that is less than the full building replacement cost. The associations purchase a limit that they are comfortable with, at a premium they can afford. Historically, there have been no earthquake losses in Hawaii that have completely damaged all buildings and personal property at a condominium association.
- d. **May cause possible financial hardship for the association and the unit-owners.** Since all the unit owners would have to share in paying the association's insurance premiums, an increase in the insurance premiums would possibly create a financial hardship for some condominium unit owners.

2. **Condominium Associations do not have an insurable interest in the unit-owners' personal property within the condominium units.**

Without an insurable interest the association does not have a right to purchase this coverage. Personal Property within the units should be insured by the respective unit-owner.

3. **HRS 514B already allows the associations to purchase Earthquake coverage should they deem it necessary to protect their property and their association.**

Under HRS 514B-143(e) The declaration, bylaws, or the board may require the association to carry any other insurance that the board considers appropriate to protect the association, the unit-owners, or officers, directors, or agents of the association.

Sincerely,

Elaine S. Panlilio

Elaine Panlilio, CIC, CRM, CISR
CAI LAC Hawaii Chapter

Dear Senators Keohokalole and Fukunaga,

My name is Laura Haase-Yamada and I am the president of the board of directors at Kulalani at Mauna Lani Association of Apartment Owners. We are a 125 unit condominium complex on the South Kohala coast of the island of Hawaii. Our address is 68-1118 N. Kaniku Dr., Kamuela, HI.

The reason we **oppose** SB988 (requiring condo associations to purchase earthquake insurance) is because it will place an undue burden on our association which is already struggling with the high cost of property insurance. As we all know, inflation has caused costs in all categories to soar and last year we were forced to pass along a huge maintenance fee increase to our owners. In addition, it will be next to impossible to try and insure all of the interior contents of the condos because we have no idea what each of our owners has in their condos! For example, some of our condos are used for rentals and others are personal homes. In those personal homes, there could be valuable artwork, jewelry or other personal items which we, the association, have no business knowing. In addition, we would have to pass on the costs for this insurance to all homeowners. That would not be fair because then it means that all owners are paying the insurance on the artwork or expensive jewelry that one owner has.

I ask that you please consider the undue burden this will place on associations and permanently vote down this bill.

Laura Haase-Yamada
Kulalani at Mauna Lani AOAO

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

Exorbitant cost: This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that property insurance premiums will increase by 20% to 25% to cover this new cost, which may be more than many associations can bear.

No mention of deductibles: The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Associations are NOT responsible for personal property of owners: Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. An association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and would end up paying for insurance covering the expensive personal property of some owners as a common expense. This is extremely unfair.

No mention of owner upgrades – forces other owners to pay through their dues for others’ high-end upgrades: Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. The broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Eva Calcagno, President

White Sand Village AOA
77-6469 Alii Drive
Kailua-Kona, HI 96740

Rachel M. Glanstein
1099 Ala Napunani St #901
Honolulu HI 96818
rglanstein@gmail.com

February 15, 2023

Senate Committee on Commerce and Consumer Protection (CPN)
Hawaii State Capitol, Room 229
415 South Beretania Street
Honolulu, HI 96813

RE: Testimony in Opposition to SB988

Aloha,

Thank you for the opportunity to provide testimony on this bill. This testimony is provided in opposition to SB988. Please defer or hold this bill.

I am a professional registered parliamentarian and I am often engaged to chair association meetings, and sometimes even board meetings. I also serve as secretary for my own condo board.

Condominium insurance is already expensive and has increases exponentially in the past few years. This bill proposes to increase the burden on condos to purchase very pricey insurance that may not be necessary for every single condo. The proposed legislation would require insurance for personal items within the units, which is unreasonable and difficult to estimate.

Additionally, my condo is rated as a shelter, which means that this insurance may not even be necessary for us. This bill makes no distinctions between buildings that may want to purchase this insurance and those that definitely don't need it.

Mahalo,

Rachel M. Glanstein

SB-988

Submitted on: 2/15/2023 8:10:24 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Glenn Toole	Testifying for Keala o Wailea AOOU	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these

items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Glenn Toole

SB-988

Submitted on: 2/15/2023 8:44:22 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
David H Levy	Testifying for Community Associations Institute (CAI)	Oppose	Written Testimony Only

Comments:

As a transplant from Northern California 3 years ago, and a CPA in the community association industry for 40+ years, I am aware that, in California at least, earthquake insurance was not a popular choice for community associations because the cost generally exceeded the potential benefit when the coverage and deductible was carefully analyzed. The decision to purchase this expensive coverage should be left to the discretion of individual associations - not mandated by the State.

SB-988

Submitted on: 2/12/2023 7:31:47 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support SB988.

SB-988

Submitted on: 2/12/2023 8:56:26 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Richard Emery	Individual	Oppose	Written Testimony Only

Comments:

Hurricane insurance is very expensive and requiring same will only significantly increase maintenance fees and have an adverse effect on the sale of affordable housing condos by raising maintenance fees. It should be noted that Lenders who hold the mortgages do not require hurricane insurance. Hawaii is in a very low seismic area.

SB-988

Submitted on: 2/13/2023 1:56:19 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Oppose	Written Testimony Only

Comments:

Please accept this as testimony in strong opposition.

I am an owner occupant in a high rise condominium on the outskirts of Chinatown. I remember the earthquake that hit us on a Sunday morning in 2006 or thereabouts. Things were swaying. Residents of different apartments reported what happened in their units. No two descriptions were the same. We were all concerned about damage to the building. Fortunately, we were spared. However, buying expensive insurance was not the solution.

If I lived on the Big Island, I might have a different position, but I am on Oahu. This is an expensive solution and I do not want a major increase in maintenance because of this insurance. Please defer this bill.

SB-988

Submitted on: 2/14/2023 8:16:56 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Anne Anderson	Individual	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these

items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Anne Anderson

SB-988

Submitted on: 2/14/2023 8:57:01 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lance S. Fujisaki	Individual	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the "full cost of the insured items and property." It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit "as built"); yet this bill would require associations to cover "any personal items within the condominium units." In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units "as built," they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,
Lance Fujisaki

SB-988

Submitted on: 2/14/2023 11:58:26 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Carol Walker	Individual	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

1. the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

1. while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.
2. summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Carol Walker

SB-988

Submitted on: 2/14/2023 2:00:06 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Nani Jay Kuualoha Lavin	Individual	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items.

Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Nani-Jay Kuualoha Lavin

Please also note that I will not be able to stay in my condo due to the higher Monthly maintenance fees that will increase on residents.

Condo owner / Makaha Valley Towers

SB-988

Submitted on: 2/14/2023 2:51:59 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Laurie Sokach	Individual	Oppose	Written Testimony Only

Comments:

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items.

Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Laurie Sokach AMS, PCAM

Association Management Specialist

Professional Community Association Manager

SB-988

Submitted on: 2/14/2023 4:13:48 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Anthony (Tony) Nodine	Individual	Oppose	Written Testimony Only

Comments:

Regarding SB988, the bill as written, is ambiguous. I have many questions, including: Is this legislation intended to govern my neighborhood with 80 single family homes governed by our HOA? Does the sponsor of this bill think that the neighborhood HOA should insure homes in the neighborhood against earthquakes from our HOA reserve fund? Does the sponsor of this bill expect me to pay (by way of HOA) the insurance for my neighbor with a house twice as large as mine?

if you want me to have earthquake insurance, then regulate the insurance companies to provide policies I can afford. Don't try to socialize the cost of insurance across my neighborhood. Create a statewide earthquake fund for everyone like we have for hurricane insurance. Why pick on neighborhoods and not homeowners generally?

The bill, as written, appears poorly thought through. The bill, as written, fails to lay out a clear challenge or a clear solution to a challenge.

I am opposed to SB988 because it is ambiguous and because I suspect the insurance industry has captured the congress person proposing the legislation.

SB-988

Submitted on: 2/14/2023 8:43:19 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
R Laree McGuire	Individual	Oppose	Written Testimony Only

Comments:

Strongly Oppose. This proposed law is unduly burdensome on already burdened condominiums. This should be voluntary only based upon a vote of the owners of that association.

Thank you for the opportunity to testify.

SB-988

Submitted on: 2/14/2023 11:46:07 PM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Steve Glanstein	Individual	Oppose	Written Testimony Only

Comments:

I concur with the Legislative Action Committee of the Community Associations Institute, Hawaii Chapter in opposing this bill.

A simple analysis of earthquake damage and consulting with insurance experts will provide further information that the cost benefit for this proposed mandate will simply improve the financial condition of insurance companies at the expense of all of Hawaii's homeowners.

HRS §514B-143 permits association boards to acquire insurance as needed. There's no compelling public need for this to be mandated for 2,000 condominium associations ranging from 2 units to over 1,200 units.

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

I OPPOSE S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. I have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

Pamela J. Schell

SB-988

Submitted on: 2/15/2023 9:23:01 AM

Testimony for CPN on 2/16/2023 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
William H Schallenberg	Individual	Oppose	Written Testimony Only

Comments:

Senator Keohokalole, Chair

Senator Fukunaga, Vice Chair

Members of the Committee

I STRONGLY OPPOSE S.B. 988, which would require condominium associations to purchase and maintain earthquake insurance on common elements, condominium units, AND any personal property items within the condominium units. It also provides that the insurance policy cover the full cost of the insured items and property.

This bill would impose a heavy burden on condominium associations which already struggle with the high cost of property insurance. It is my understanding that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that coverage be for the "full cost of the insured items and property" but does not mention deductibles, which could be construed to mean that coverage must be for the full replacement value, without deductibles. I understand that earthquake insurance comes with a deductible of 5% of the building value, Hence, it may not even be possible to buy the insurance required by this bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit "as built"); yet this bill would require associations to cover "any personal items within the condominium units." In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, I oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

William Schallenberg



LATE

February 15, 2023

Senator Keohokalole, Chair,
Senator Fukunaga, Vice Chair,
Members of the Committee

Dear Senator Keohokalole, Chair, Senator Fukunaga, Vice Chair, and Members of the Committee:

The Board of Directors for the Waikoloa Village Association desires to note their OPPOSITION to S.B. 988. This bill will require condominium associations to purchase and maintain earthquake insurance on the common elements, the condominium units, and any personal property items within the condominium units. It also provides that the insurance policy will provide coverage for the full cost of the insured items and property.

This bill will impose a heavy burden on condominium associations which are already struggling with the high cost of property insurance. We have been informed that if condominiums are required to purchase earthquake insurance, their property insurance premiums will increase by 20% to 25% which may be more than many associations can bear.

The bill requires that the coverage be for the “full cost of the insured items and property.” It does not mention deductibles, which could be construed to mean that the coverage must be for the full replacement value, without deductibles. We understand that earthquake insurance comes with a deductible of 5% of the building value, which means that it may not even be possible to buy the insurance required by the bill.

Under the current law, condominiums have no obligation to insure the personal property of owners (other than the unit “as built”); yet this bill would require associations to cover “any personal items within the condominium units.” In other words, this bill would require condominium associations to purchase insurance for diamond rings, paintings, furniture, clothing, etc., of owners. This requirement is completely unreasonable and unworkable. A condominium association cannot possibly be expected to insure the personal property of owners when it has no way of knowing what items of personal property owners maintain in their units. If associations were required to insure personal property, associations would have to take an inventory of all of the personal property inside units (which associations are not capable of doing) and the association would end up paying for insurance covering the expensive personal property of some owners as a common expense. This would be extremely unfair.

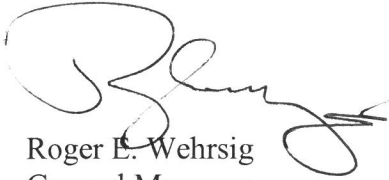
Finally, while most associations do maintain property insurance on the condominium units “as built,” they do not maintain, nor are they required to maintain, insurance on improvements and betterments made by owners, such as new cabinets, granite countertops, etc. Yet, the broad

language of this bill would require associations to purchase earthquake insurance on these items. Owners should be responsible for insuring upgrades to their units. Otherwise, all owners would be required to bear the cost of insuring the upgrades made by other owners.

In summary, we oppose this bill because it will be impossible for associations to maintain the insurance required, and it will place undue financial burdens on associations and their members. Please permanently defer this bill.

Respectfully submitted,

ON BEHALF OF THE BOARD OF DIRECTORS
WAIKOLOA VILLAGE ASSOCIATION

A handwritten signature in black ink, appearing to read 'R. Wehrsig', with a large, stylized initial 'R' and a long, sweeping underline.

Roger E. Wehrsig
General Manager