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# A BILL FOR AN ACT

RELATING TO INSURANCE FOR HAWAII CONDOMINIUM PROPERTIES.

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

1 PART I

2 SECTION 1. The legislature finds that, before the 2023  
3 Maui wildfires, the availability of condominium building master  
4 property insurance policy options within the condominium  
5 insurance marketplace was shrinking. Due in part to this  
6 shrinking, the cost of condominium building master insurance  
7 policies has increased exponentially, with insurers increasing  
8 deductible amounts from approximately \$10,000 to \$25,000 per  
9 unit, per occurrence, to as much as \$250,000.

10 The legislature also finds that while the State has not  
11 experienced a direct major impact from a major hurricane since  
12 hurricane Iniki devastated Kauai and damaged homes along Oahu's  
13 leeward coast more than thirty years ago, mortgage lenders  
14 continue to require Hawaii homeowners to carry hurricane  
15 insurance, which can cost two to three times the amount of  
16 annual premiums of a conventional homeowner policy. The  
17 governor's emergency proclamation dated August 7, 2024, and



1 updated on October 7, 2024, enabled the executive branch to  
2 provide additional options for condominium associations to  
3 purchase hurricane and property insurance for their buildings by  
4 authorizing:

5 (1) Loans to the Hawaii hurricane relief fund and the  
6 Hawaii property insurance association to facilitate  
7 the issuance of hurricane and property insurance  
8 policies to condominium associations; and

9 (2) The Hawaii hurricane relief fund to issue hurricane  
10 insurance policies for large condominium buildings,  
11 and to set policy limits.

12 The legislature acknowledges that although insurance  
13 coverage, excluding hurricane coverage, for condominium  
14 buildings is available in the standard insurance market, the  
15 availability of this coverage is not guaranteed. The city and  
16 county of Honolulu's requirement for mandatory fire sprinkler  
17 retrofits or alternative fire safety upgrades in older  
18 condominium properties that are subject to ordinance 18-14, as  
19 amended by ordinance 22-2, has resulted in higher insurance  
20 premiums and expenses for more than three hundred high-rise  
21 properties that are subject to that ordinance.



1 The purpose of this part is to require property insurers to  
2 offer specific discounts to condominium associations that  
3 undertake risk mitigation strategies that improve building  
4 safety and resilience by reducing the likelihood of significant  
5 damage and subsequent insurance claims.

6 SECTION 2. Chapter 431, Hawaii Revised Statutes, is  
7 amended by adding a new part to article 10E to be appropriately  
8 designated and to read as follows:

9 "PART . CONDOMINIUMS; DISCOUNTS FOR RISK MITIGATION  
10 UPGRADES

11 §431:10E-A Definitions. As used in this part:

12 "Association" has the same meaning as defined in section  
13 514B-3.

14 "Condominium" has the same meaning as defined in section  
15 514B-3.

16 "Property insurer" means any entity providing property  
17 insurance in the State under this chapter.

18 §431:10E-B Insurance premiums; discounts for risk  
19 mitigation upgrades, strategies, and plans. Each property  
20 insurer that provides property insurance to an association  
21 pursuant to section 514B-143(a)(1) shall offer discounts on the



1 association's annual insurance premium if the association adopts  
2 the following risk mitigation upgrades:

3 (1) For the following disaster-resiliency upgrades, a  
4 discount equal to:

5 (A) \$ for the installation of  
6 impact-resistant windows;

7 (B) \$ for the installation of flood  
8 barriers and sandbags;

9 (C) \$ for the installation of drainage  
10 improvements and waterproofing of building  
11 foundations;

12 (D) \$ for the use of fire-resistant  
13 materials;

14 (E) \$ for the installation of sprinkler  
15 systems;

16 (F) \$ for the creation of defensible space  
17 between the building and surrounding areas; and

18 (G) \$ for seismic safety improvements;

19 (2) For the following planned maintenance improvements, a  
20 discount equal to:



- 1 (A) \$ for the implementation of annual
- 2 structural inspections;
- 3 (B) \$ for the implementation of annual roof
- 4 maintenance;
- 5 (C) \$ for the implementation of annual
- 6 sealing and waterproofing maintenance;
- 7 (D) \$ for the implementation of annual
- 8 heating, ventilation, and air conditioning
- 9 maintenance;
- 10 (E) \$ for the implementation of annual
- 11 plumbing maintenance; and
- 12 (F) \$ for the implementation of annual fire
- 13 and safety system maintenance, including
- 14 maintenance and testing of fire extinguishers,
- 15 alarm systems, and elevator safety; and
- 16 (3) For the adoption of the following smart building
- 17 technologies that enhance the building's resilience by
- 18 providing real-time monitoring, a discount equal to:
- 19 (A) \$ for the installation of leak
- 20 detection sensors;



- 1 (B) \$ for the installation of wind and
- 2 seismic sensors;
- 3 (C) \$ for the installation of smart smoke
- 4 alarms that are connected to a central monitoring
- 5 system;
- 6 (D) \$ for the installation of automated
- 7 sprinkler systems;
- 8 (E) \$ for the installation of energy
- 9 management and heating, ventilation, and air
- 10 conditioning monitoring systems;
- 11 (F) \$ for the installation of security
- 12 systems that utilize smart building technologies;
- 13 and
- 14 (G) \$ for the installation of building
- 15 health monitoring systems.

16 **§431:10E-C Insurance premiums; discounts; disaster**  
 17 **response plans.** Each property insurer that provides property  
 18 insurance to an association pursuant to section 514B-143(a)(1)  
 19 shall offer a discount on the association's annual insurance  
 20 premium equal to \$ if the association develops a





1 SECTION 4. Chapter 431, Hawaii Revised Statutes, is  
2 amended by adding a new part to article 10E to be appropriately  
3 designated and to read as follows:

4 "PART . INSURANCE PREMIUM INCREASES

5 §431:10E-AA Definitions. As used in this part:

6 "Condominium" has the same meaning as defined in section  
7 514B-3.

8 "Condominium that has received or is actively pursuing an  
9 acceptable score on a building fire and life safety evaluation"  
10 means a condominium:

11 (1) Located in a county that has adopted an ordinance that  
12 amends the state fire code by:

13 (A) Authorizing the use of fire prevention and fire  
14 safety systems as an alternative to the use of an  
15 approved automatic sprinkler system; and

16 (B) Requiring the condominium to receive an  
17 acceptable score on a building fire and life  
18 safety evaluation for the alternative to the  
19 required use of an approved automatic sprinkler  
20 system; and

21 (2) That has either:



1 (A) Received and currently maintains an acceptable  
2 score on a building fire and life safety  
3 evaluation for the alternative to the required  
4 use of an approved automatic sprinkler system; or

5 (B) Completed a building fire and life safety  
6 evaluation for the alternative to the required  
7 use of an approved automatic sprinkler system  
8 and:

9 (i) Is actively pursuing the recommendations of  
10 the evaluation by hiring a licensed design  
11 professional;

12 (ii) Is actively pursuing a permit for the  
13 improvements; and

14 (iii) Will complete the improvements by the  
15 beginning of the next property insurance  
16 policy period.

17 "Premium increase" means any upward adjustment in the  
18 insurance premiums charged by a property insurer for coverage on  
19 a condominium property.

20 "Property insurer" means any entity providing property  
21 insurance in the State under this chapter.



1           **§431:10E-BB Insurance premium adjustment.** (a) Any  
2 property insurance premium increase applicable to a condominium  
3 shall be:

4           (1) Based on actuarial justifications that reflect actual  
5 risk reduction resulting from upgraded fire safety  
6 improvements installed in conjunction with a building  
7 fire and life safety evaluation; and

8           (2) Accompanied by a detailed, written explanation,  
9 including actuarial data and risk assessments  
10 supporting the increase.

11           (b) No property insurance premium applicable to a  
12 condominium that has received or is actively pursuing an  
13 acceptable score on a building fire and life safety evaluation  
14 shall be increased by more than ten per cent from the previous  
15 year unless the property insurer demonstrates, through  
16 independently verified data, that an amount in excess of ten per  
17 cent is necessary due to external factors, including natural  
18 disaster risk assessments or market-wide claims experience.

19           **§431:10E-CC Filing and oversight requirements.** (a) Each  
20 condominium property insurer shall file an annual report with



1 the commissioner detailing and providing justification for all  
2 condominium premium increases, including but not limited to:

3 (1) Any actuarial data used to justify a premium increase;  
4 and

5 (2) A summary of any predictive modeling tools and  
6 techniques, including catastrophe modeling, used to  
7 justify a premium increase; provided that the summary  
8 shall include a description of each modeling tool or  
9 technique, the results of the modeling done using the  
10 tool or technique, and an explanation of why those  
11 results justify a premium increase.

12 (b) If a property insurer believes that any portion of the  
13 report filed pursuant to subsection (a) includes proprietary  
14 information that should be withheld from disclosure as  
15 confidential, then the property insurer shall inform the  
16 commissioner in writing and provide justification to support the  
17 property insurer's claim.

18 (c) The commissioner shall review the information  
19 submitted pursuant to subsection (b) and determine whether the  
20 information should be withheld from disclosure as confidential.  
21 The commissioner's decision shall be final. If the commissioner



1 determines that the information is confidential, the information  
2 shall be exempt from public disclosure to the extent permitted  
3 by chapter 92F.

4 (d) The commissioner shall make all reports available to  
5 the public on the insurance division's website; provided that  
6 any portion of the report deemed confidential pursuant to  
7 subsection (c) shall not be disclosed.

8 (e) The commissioner shall review property insurer filings  
9 to ensure compliance with this part and investigate complaints  
10 of unjustified premium increases.

11 **§431:10E-DD Penalties.** (a) Any property insurer that  
12 imposes a premium increase in violation of section 431:10E-BB  
13 shall:

14 (1) Be subject to a fine of up to \$10,000 per violation;

15 and

16 (2) Refund excessive increases in premium payments.

17 (b) The commissioner may suspend or revoke the license to  
18 operate in the State of any property insurer that commits five  
19 or more violations of this part within a ten-year period."

20 PART III



1           SECTION 5. If any provision of this Act, or the  
2 application thereof to any person or circumstance, is held  
3 invalid, the invalidity does not affect other provisions or  
4 applications of the Act that can be given effect without the  
5 invalid provision or application, and to this end the provisions  
6 of this Act are severable.

7           SECTION 6. In codifying the new sections added by sections  
8 2 and 4 of this Act, the revisor of statutes shall substitute  
9 appropriate section numbers for the letters used in designating  
10 the new sections in this Act.

11          SECTION 7. This Act shall take effect on July 1, 2050.



**Report Title:**

Condominiums; Property Insurance; Insurance Premiums; Discounts; Risk Mitigation Upgrades; Disaster Response Plans; Fire and Life Safety Evaluation

**Description:**

Requires property insurers to offer discounts on a condominium association's annual insurance premium if the association adopts specific risk mitigation upgrades or develops comprehensive disaster response plans. Requires property insurers of condominiums to base premium increases on actuarial justifications that reflect actual risk reduction resulting from upgraded fire safety improvements installed in conjunction with a building fire and life safety evaluation. Requires property insurers of condominiums to justify premium increases above ten per cent. Requires property insurers of condominiums to publicly report premium increases each year. Effective 7/1/2050. (SD1)

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

