

Honolulu, Hawaii

FEB 07 2025

RE: S.B. No. 1044
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 1044 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the laws governing the Hawaii Property Insurance Association (HPIA) and the Hawaii Hurricane Relief Fund (HHRF) to enable these entities to underwrite certain insurance risks in the State that no standard insurer is currently willing to underwrite; and
- (2) Require the Insurance Commissioner to conduct a study.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Hawaii Green Infrastructure Authority, AARP Hawaii, Hawaii Bankers Association, Hawaii Credit Union League, Hawaii Financial Services Association, Hawaii Insurers Council, Hawai'i Association of REALTORS, Mortgage Bankers Association of Hawaii, Townhomes at Fairways Edge, two members of the Maui County Council, and seven individuals.

Your Committee received comments on this measure from the Department of the Attorney General, National Association of Mutual



Insurance Companies, and State Farm Mutual Automobile Insurance Company.

Your Committee finds that many homeowners in the State, especially those who are still recovering from the 2023 Maui wildfires, have been seeing skyrocketing premiums and non-renewals for their homeowners insurance policies, while small businesses have also been struggling with insurance hikes for years.

Your Committee further finds that the availability of condominium building master insurance policies and unit owner insurance policy options in the admitted market has been shrinking, leaving many condominiums with the option of either paying significantly higher premiums or deferring maintenance and repairs on their condominium buildings. This measure seeks to provide much-needed stability in the insurance market to homeowners, businesses, and associations until market conditions improve and risks become more insurable.

Your Committee notes its concerns with the pace at which developments are being formulated to address the insurance issues facing the residents of the State. Most of the discussions have centered around the administration of the insurance plans offered by the HPIA and the HHRF and the capacity required to facilitate that process at the speed necessary to grant the residents of the State much needed relief. Your Committee finds that granting HPIA and HHRF the ability to request expressions of interest from domestic insurers to serve as a servicing facility to assist HPIA and HHRF in the performance of their duties may help these entities more quickly provide the plans necessary to help residents of the State obtain insurance coverage. Amendments to this measure are therefore necessary to address these concerns.

Accordingly, your Committee has amended this measure by:

- (1) Inserting language to require HPIA to, on or before September 1, 2025, publish a notice inviting domestic insurers to submit to HPIA's Board of Directors current statements of qualifications and expressions of interest to serve as a servicing facility to perform certain obligations under the plan of operation and requiring the Insurance Commission to prepare the request for



submissions of statements of qualification and expressions of interest;

- (2) Inserting language to require HPIA to, on or before October 1, 2025, award a servicing facility contract to a domestic insurer under certain conditions;
- (3) Restoring existing statutory language that provides that HPIA may add additional insurance coverages with the approval of the Insurance Commissioner, including coverage for commercial risks up to the limits of coverage for residential risks as set forth in the plan of operation;
- (4) Deleting language that would have expanded HPIA's authority to activate, reduce, or terminate the collection of an assessment on member insurers in certain circumstances, including the establishment of a reserve trust fund;
- (5) Clarifying that the plan of operation shall establish flat fees to be paid to licensed producers, rather than commissions;
- (6) Deleting certain inapplicable cross-references to section 431P-16(e), Hawaii Revised Statutes;
- (7) Inserting language to require the HHRF Board of Directors to, on or before September 1, 2025, publish a notice inviting domestic insurers transacting direct property insurance in the State to submit to the Board current statements of qualifications and expressions of interest to serve as a servicing facility to assist HHRF in performing certain obligations as deemed appropriate by the Board and approved by the Insurance Commissioner and requiring the Insurance Commission to prepare the request for submissions of statements of qualification and expressions of interest;
- (8) Inserting language to require the HHRF Board of Directors to, on or before October 1, 2025, award a servicing facility contract to a domestic insurer under certain conditions;



- (9) Changing the appropriation to HPIA to an unspecified amount and deleting language that would have required the appropriation to be deposited into HPIA's reserve trust fund and be repaid pursuant to terms that would have been established in the plan of operation;
- (10) Inserting language to require the Insurance Commission to invite representatives of the property and casualty insurance industry to participate in the Commissioner's insurance stabilization study and expand the study to include an analysis of regulatory reforms that could be implemented by the Insurance Commissioner to assist insurers in competing in the marketplace and developing new insurance products for the benefit of consumers;
- (11) Changing the appropriation for the insurance stabilization study to an unspecified amount;
- (12) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (13) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee notes that this measure, as amended, contains unspecified appropriation amounts. Should your Committee on Ways and Means choose to deliberate on this measure, your Committee respectfully requests that it consider an appropriation amount of \$50,000,000 in the form of a loan to the Hawaii Property Insurance Association.

Additionally, your Committee respectfully requests that it consider inserting an appropriation in the amount of \$100,000 for the Insurance Commissioner to conduct a study to develop long-term solutions to stabilize the property insurance market in the State.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1044, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B.



No. 1044, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



JANNETT KIOHOKALOLE, Chair



