

STAND. COM. REP. NO.

439

Honolulu, Hawaii

FEB 13 2025

RE: S.B. No. 805
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. 805 entitled:

"A BILL FOR AN ACT RELATING TO CONDOMINIUM INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to establish a Mutual Insurance Program to provide coverage to stabilize the insurance market serving high-rise residential condominium properties in the State.

Your Committee received testimony in support of this measure from Palehua Townhouse Association and six individuals.

Your Committee received comments on this measure from the Department of the Attorney General, Department of Budget and Finance, Department of Commerce and Consumer Affairs, Hawaii Insurers Council, Mortgage Bankers Association of Hawaii, and one individual.

Your Committee finds that the availability of condominium building master property insurance policy options in the State was already shrinking prior to recent natural disasters that have led to a significant instability in the insurance industry. The cost of condominium building master insurance policies has increased exponentially, with deductibles ranging up to as much as \$250,000 per unit. Your Committee also finds that although insurance



coverage for condominiums is still available in the standard insurance market, the availability of this coverage is not guaranteed. This measure creates a market of last resort for high-rise residential condominiums using the framework of the existing law for the Hawaii Employers' Mutual Insurance Company (HEMIC) under Article 14A, Chapter 431, Hawaii Revised Statutes. This measure will increase the availability of insurance for condominiums, help stabilize the property insurance market, and provide more affordable property insurance coverage options in the State.

Your Committee has amended this measure by:

- (1) Deleting cross-references to sections 431:14A-107, 431:14A-110, and 431:14A-115, Hawaii Revised Statutes, as they pertain to matters unique to HEMIC;
- (2) Inserting similar language unique to the purpose of the Hawaii Condominium Mutual Insurance Company to effectuate the establishment of the:
 - (A) Duties and responsibilities of the Hawaii Condominium Mutual Insurance Company Board of Directors;
 - (B) Authority of the Hawaii Condominium Mutual Insurance Company Board of Directors to establish the premium rates to be charged for insurance sold by the Hawaii Condominium Mutual Insurance Company; and
 - (C) Authority to deny, cancel, or terminate insurance coverage by the Hawaii Condominium Mutual Insurance Company;
- (3) Clarifying that the Condominium Loan Fund shall be established in the state treasury;
- (4) Deleting language that would have appropriated funds out of the Hurricane Reserve Trust Fund for the Hawaii Condominium Mutual Insurance Company and inserting a general fund appropriation in an unspecified amount to



the Hawaii Condominium Insurance Company in the form of a loan;

- (5) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 805, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 805, 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,



JARRETT KEOHOKALOLE, Chair



