
A BILL FOR AN ACT

RELATING TO CONDOMINIUMS.

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

1 SECTION 1. The legislature finds that education, training,
2 and access to critical financial information are essential to
3 ensure that condominium board members understand their fiduciary
4 duties, legal responsibilities, compliance with local ordinances
5 and regulations and state and federal laws, and their
6 operational roles. Effective self-governance relies heavily on
7 the informed decision-making of volunteer condominium board
8 members, and unit owners' accessibility to the information used
9 by their board members to make those decisions.

10 The legislature further finds that board members and unit
11 owners should be afforded the opportunity to obtain information
12 about factors contributing to condominium insurance premium
13 increases and disclosures of broker commissions related to
14 association insurance policies and the undertaking of large
15 projects. The legislature also finds that associations filing
16 of a one-page transparency summary for any large project over



1 \$200,000 would provide a level of insight for unit owners that
2 mirrors government procurement disclosures.

3 Accordingly, the purpose of this Act is to require:

4 (1) An insurance producer to disclose a description of
5 services to be provided, and compensation and
6 commission to be received, before the procurement,
7 placement, or renewal of any insurance policy
8 purchased by a condominium association, and
9 incorporates verification procedures into annual audit
10 requirements;

11 (2) At least two competitive quotes from insurance
12 producers for any association insurance policy
13 procurement, placement, or renewal with an annual
14 premium greater than \$250,000; and

15 (3) The board of directors to prepare and disclose to unit
16 owners a one-page project summary for any capital
17 improvement, repair, or maintenance project authorized
18 with an estimated cost greater than \$200,000.

19 SECTION 2. Chapter 514B, Hawaii Revised Statutes, is
20 amended by adding a new section to part VI be appropriately
21 designated and to read as follows:



1 **"§514B- Insurance and project disclosures; requirements.**

2 (a) Before the procurement, placement, or renewal of any
3 insurance policy purchased by an association, an insurance
4 producer shall disclose to the association's board of directors,
5 on a form prescribed by the real estate commission, the
6 following information:

7 (1) A description of the services to be provided under the
8 insurance policy pursuant to the contract or
9 arrangement;

10 (2) A description of all direct and indirect compensation,
11 either in the aggregate or by service, that the
12 insurance producer reasonably expects to receive in
13 connection with the services described in paragraph
14 (1); and

15 (3) A description of the total commission the insurance
16 producer expects to receive, which shall be expressed
17 in a dollar amount and the percentage of the total
18 compensation for the insurance policy;

19 The association shall make the disclosure available for unit
20 owners pursuant to section 514B-154. The disclosure required



1 under this subsection shall be included in the association's
2 annual financial statements and audit under section 514B-150.

3 (b) For any association insurance policy procurement,
4 placement, or renewal with an annual premium greater than
5 \$250,000, the board shall obtain at least two competitive quotes
6 from qualified insurance producers before procurement,
7 placement, or renewal of an insurance policy.

8 (c) For any capital improvement, repair, or maintenance
9 project authorized by the board with an estimated cost greater
10 than \$200,000, the board shall prepare and disclose to the unit
11 owners a one-page project summary that includes:

12 (1) Total project cost;
13 (2) The funding source or financing mechanism;
14 (3) A list and description of all approved change orders;
15 and
16 (4) All compensation paid to consultants, brokers,
17 contractors, and other professional service providers.

18 The summary shall be provided to all unit owners within sixty
19 days of project approval and shall be maintained with the
20 association's records under section 514B-152.

21 (d) As used in this section:



1 "Commission" means any compensation, service fee, brokerage
2 fee, or other valuable consideration received by an insurance
3 producer for selling, soliciting, or negotiating insurance in
4 this State and does not include compensation paid solely for
5 direct administrative or claims-related services.

6 "Insurance producer" shall have the same meaning as defined
7 in section 431:9A-102."

8 SECTION 3. Section 514B-150, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) The association shall require [an]:

11 (1) An annual audit of the association financial accounts,
12 including verification of compliance with the
13 insurance producer disclosure requirements under
14 section 514B- ; and [no]

15 (2) Not less than one annual unannounced verification of
16 the association's cash balance by a public accountant;
17 provided that if the association is comprised of less than
18 twenty units, the annual audit and the annual unannounced cash
19 balance verification may be waived at an association meeting by
20 a vote of a majority of the unit owners."



1 SECTION 4. This Act does not affect rights and duties that
2 matured, penalties that were incurred, and proceedings that were
3 begun before its effective date.

4 SECTION 5. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 6. This Act shall take effect upon its approval.

7

INTRODUCED BY: Carol Johnson



S.B. NO. 2686

Report Title:

Condominiums; Associations of Apartment Owners; Board; Insurance; Disclosures; Commissions

Description:

Requires an insurance producer to disclose a description of services to be provided, and compensation and commission to be received, before the procurement, placement, or renewal of any insurance policy purchased by a condominium association, and incorporates verification procedures into annual audit requirements. Requires at least two competitive quotes from insurance producers for any association insurance policy procurement, placement, or renewal with an annual premium greater than \$250,000. Requires the board of directors to prepare and disclose to unit owners a one-page project summary for any capital improvement, repair, or maintenance project authorized with an estimated cost greater than \$200,000.

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