Hawaii Green Infrastructure Authority
An Agency of the State of Hawaii

Testimony of
Gwen Yamamoto Lau
Executive Director
Hawaiʻi Green Infrastructure Authority
before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Tuesday, February 10, 2026, 2:00 PM
State Capitol, Conference Room 329
in consideration of
House Bill No. 1513
RELATING TO CONDOMINIUMS

Chair Matayoshi, Vice Chair Grandinetti and Members of the Committee:

Thank you for the opportunity to testify on HB1513 relating to condominiums. The Hawaiʻi Green Infrastructure Authority (HGIA) **supports** this bill, which authorizes the issuance of additional funds to capitalize the Condominium Loan Program.

The Condominium Loan Program, which was approved by the Legislature last year, is currently undergoing the administrative rulemaking process. The Authority expects to launch this new program in Spring 2026 with $20.0 million in loan capital.

However, as re-piping a 100-unit condominium can cost between $3.0 to $7.0 million, and the installation of fire sprinklers in Marco Polo was in excess of $6.0 million, the demand for financing will likely exceed the amount of initial loan capital available.

This program aims to provide long-term, fixed rate financing for maintenance and repair projects for condominiums unable to qualify for loans from traditional lenders. The program is being created to reduce the risk of future claims through proactive maintenance and upgrades, making these projects more insurable.

Thank you for this opportunity to provide comments and testify in support of HB1513.

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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Consumer Protection & Commerce
Tuesday, February 10, 2026
2:00 p.m.
State Capitol, Room 329 and via Videoconference

On the following measure:
H.B. 1513, RELATING TO CONDOMINIUMS

Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

My name is Scott K. Saiki, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department opposes this bill.

H.B. 1513 authorizes the issuance of reimbursable general obligation bonds to provide funding for the Condominium Loan Program and appropriates funds from the Hurricane Reserve Trust Fund to provide initial coverage of the bond payments.

The Department appreciates the Legislature's continued focus on addressing the affordability challenges facing condominium associations. However, the Department must raise serious concerns regarding the financial, actuarial, and regulatory risks posed by the proposed diversion of funds from the Hawaii Hurricane Relief Fund (HHRF).

The HHRF exists for a singular and critical insurance function: to support the underwriting, reinsurance, and claims-paying capacity of the HHRF as an active insurance mechanism. Appropriating HHRF funds to support debt service for reimbursable bonds represents a material expansion of the permissible uses of the fund and introduces risks that extend beyond the condominium loan program itself.

The Department is particularly concerned that any depletion of HHRF assets will negatively impact current reinsurance contracts, future reinsurance negotiations, pricing, and capacity. Reinsurers evaluate not only premium and exposure, but also dedicated reserves, liquidity, and statutory protections against non-insurance uses of capital. The use of HHRF funds for non-insurance purposes – even if temporary – may result in higher reinsurance costs, reduced capacity, or less favorable contract terms, which would ultimately be borne by policyholders and the State. Any increase in the cost of reinsurance would lead to an increase in premiums by the HHRF, which results in higher costs of insurance to condominiums – the exact problem the HHRF is meant to abate.

The HHRF was reactivated to function as a legitimate operational insurance mechanism, not to serve as a dormant reserve of funds to be tapped in a time of need. The HHRF must maintain maximum financial flexibility to write new policies as market conditions evolve, adjust coverage offerings in response to catastrophe exposure, and pay claims promptly following a hurricane event. The proposed appropriation reduces that flexibility by encumbering capital for non-insurance obligations, introducing competing fiscal priorities, and creating uncertainty as to available funds in the event of a catastrophic loss. From a solvency perspective, capital that is spoken for is not capital available for claims.

The Department is charged with oversight of financial solvency, reserve adequacy, and policyholder protection. H.B. 1513 raises significant regulatory concerns by blurring the line between insurance trust fund and a financing tool, exposing insurance reserves to risks unrelated to insured losses, and setting a precedent for future use of HHRF funds for non-insurance purposes. Over time, such expansions will undermine the long-term stability, reliability, and feasibility of the HHRF.

Attached is a statement from Aon, the HHRF's current reinsurance broker, that provides further details regarding the need for the HHRF to maintain its current level of funding.

The Department recognizes the severity of condominium maintenance and repair challenges. However, insurance solvency mechanisms are not interchangeable with housing finance tools. Using HHRF funds to support housing affordability – even indirectly – increases risk to policyholders who rely on HHRF coverage.

For these reasons, the Department respectfully opposes H.B. 1513. Thank you for the opportunity to testify.

Overview
With Hawaii Hurricane Relief Fund (HHRF) operational and onboarding risks as of June 1st, 2025, it is critical that the fund remain solvent to cover the risks insured. The current capital position is on par for what is required to support the actively insured risks and the additional risks that may utilize the HHRF.

Basis
Models are representations of systems or processes which occur in the real world. As such, they make simplifying assumptions due to limitations in both understanding and practical constraints. These assumptions, combined with the inherent uncertainty in insurance risk, can lead to differences between modeled and observed losses. In 2024, Aon conducted a study on model performance, the difference between actual observed loss and modeled loss due in part to non-modeled factors and model uncertainty. Aon gathered data on Hurricane Model Performance by industry standard third party vendors for all US landfalling hurricanes from 2017 to 2022. The study showed that hurricane models underestimated losses by 1.4x on average across a three-model blend. When looking specifically at the Excess & Surplus (E&S) space, hurricane models underestimated losses by 2.0x on a global basis and 1.7x on a commercial basis. Because the HHRF writes excess hurricane insurance for a commercial class of business (AOAOs are commercial entities, even where they represent residential unit owners), the extra estimation error associated with commercial and E&S results are important considerations.

Current Portfolio of Risks
The information above is relevant because we are using these probabilistic models to estimate the financial solvency of the HHRF. Through November 2025 - six months into the program - the HHRF issued 52 policies totaling $1.4B in exposure. With this current exposure, the HHRF estimated loss from a Cat 3 Total Industry Loss of $19B to $23B (Target Covered Event) ranges from $5M to $25M, with the maximum plausible loss for an event of that size being $50M. We selected an industry loss of $19B to $23B as the Target Covered Event because this represents a modeled potential loss amount consistent with industry standard risk thresholds of 0.5% to 0.4% probability of the event occurring. This corresponds to a “200 year” to “250 year” event and is consistent with AM Best, S&P, and Solvency II catastrophe risk thresholds when evaluating insurer financial strength ratings. Note that NAIC RBC (Risk Based Capital) uses a 1% or “100 year” threshold and is therefore a less intensive standard.

Year 1 - Portfolio of Risks
Aon used the current in-force book to project what the program might look like at June 2026, 1-year after inception. As above, six months into the HHRF AOAO program there were 52 issued insurance policies. This suggests a reasonable assumption of 100 policies issued totaling $2.9B in exposure at the end of the first full year of operations. Using the same Target Covered Event above, the new HHRF estimated loss is $30M to $40M, with the maximum plausible loss ranging from $65M to $125M. This scenario would result in the HHRF approximately being fully committed from a capital standpoint, taking into consideration the $50M of reinsurance purchased and the HPIA $30M loan obligation.

Year 2+ - Portfolio of Risks
As the HHRF considers insuring more risks and issuing more than 100 policies, they will need to increase their capital position by purchasing more reinsurance. Geographic concentration of policies is very important when modeling, underwriting, and assessing catastrophe risk in insurance. This is because when physical structures are spread widely across a geographic expanse it is unlikely that a single event like a hurricane will damage many of them at the same time. As an example, the historical record for Hurricane Iniki shows significant impact to Kaua’i with less significant impacts to other islands. As the number of covered risks continues to increase, the estimated loss from a Target Covered Event will usually increase faster than the growth in the policies. For example, a doubling of the policy count would likely lead to more than a doubling in the loss potential. This is illustrated, above, in the estimates of the maximum plausible event moving from around $50M for 52 policies up to $125M for 100 policies.

Conclusion
Ultimately, the HHRF needs to maintain a healthy capital balance to cover losses policyholders may incur, while also recognizing that the HHRF may need to make a $30M loan to the HPIA. If the funds for the HHRF were depleted, it would restrict HHRF’s ability to insure additional AOAOs and any consideration of expanding the product. HHRF would also be required to purchase additional reinsurance to remain financially stable, resulting in increased costs to the policyholders and ultimately Hawai’i residents.

HB-1513
Submitted on: 2/8/2026 11:25:10 AM
Testimony for CPC on 2/10/2026 2:00:00 PM

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

Comments:

Our association supports HB1513. Please pass this bill.

Mike Golojuch, Sr, President

Palehua Townhouse Association is

HB-1513
Submitted on: 2/8/2026 8:00:17 PM
Testimony for CPC on 2/10/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jane Sugimura	Hawaii Council of Community Associations	Support	Written Testimony Only

Comments:

SUPPORT HB1513

HAWAII INSURERS COUNCIL
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Alison H. Ueoka
President

TESTIMONY OF LESLIE DOOR

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Scot Z. Matayoshi, Chair
Representative Tina Nakada Grandinetti, Vice Chair

Tuesday, February 10, 2026
2:00 p.m.

HB 1513

Chair Matayoshi, Vice Chair Grandinetti, and members of the Committee on Consumer Protection & Commerce, my name is Leslie Door, Director of Product, Risk & Regulatory Compliance for Zephyr Insurance Company and Property Chair for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes Section 4** of this bill. This bill uses funds from the Hawaii Hurricane Relief Fund (HHRF) to pay debt service on reimbursable general obligation bonds authorized under Section 2 of the bill. The HHRF has recently been reactivated, and this bill undermines its financial viability. The HHRF is presently responding to the high-rise condo building market, it may need to be expanded for single family homes. The principal balance in the HHRF is not growing as monies are being spent on administrative and other insurance-related purposes. Any interest earned on its shrinking principal balance is being diverted to the general fund.

If the HHRF does not have adequate funds to meet its purpose, there is a complex ladder of assessments on insurance products which goes beyond property insurance premiums. These assessments are pre and post catastrophe and would be borne by those who purchase certain insurance products. For instance, if a pre-CAT assessment is imposed, it is 3.75% on property, general liability, and workers' compensation policies. If a post-CAT assessment is imposed, there is a ladder of assessments if insufficient funds are available to pay losses. The final tier of assessments is a 7.5% surcharge on all property and casualty insurance premiums in the state, including all the above lines, plus motor vehicle insurance.

Since the HHRF Is actively writing policies and its future needs are uncertain, siphoning any monies is imprudent. Based on the foregoing, we ask to delete Section 4 from this bill.

Thank you for the opportunity to testify.

HB-1513
Submitted on: 2/8/2026 7:57:29 PM
Testimony for CPC on 2/10/2026 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Raelene Tenno	Individual	Support	Written Testimony Only

Comments:

SUPPORT HB1513