

A Bill for an Act Relating to Insurance.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds and declares that a devastating combination of circumstances has significantly threatened the stability of Hawaii's insurance industry:

- (1) On September 11, 1992, the State of Hawaii was impacted by a severe hurricane that damaged or destroyed hundreds of homes on the islands of Kauai and Oahu. As the result of this, many insurance companies issuing homeowners policies have either become insolvent, or are on the verge of becoming insolvent, as a result of losses incurred due to hurricane Iniki; and
- (2) Due to massive claim losses and the strength of the U.S. dollar in foreign markets, insurance companies have experienced great difficulties in obtaining sufficient reinsurance to reduce reserve liabilities, increase surplus, and expand capacity to underwrite policies. As the result of the withdrawal of reinsurers from the market, consumers, particularly new homebuyers, have been unable to obtain affordable policies for property insurance coverage.

In light of this, the legislature believes that the combination of: (a) massive property damage claims on property insurance policies due to hurricane Iniki; and (b) withdrawal of reinsurers from the insurance market, has created an overpowering public need for additional monitoring regulations on the financial solvency of insurance companies to ensure the welfare of the general public while the market stabilizes.

The purpose of this Act is to establish additional disclosure requirements, on a temporary basis, pertaining to the sale of insurance in the State of Hawaii.

SECTION 2. All insurers authorized to conduct business in the State of Hawaii shall notify the insurance commissioner not later than three days after determining that the insurer, in good faith, believes it may be in a financial condition hazardous to the policyholders or the public. The commissioner may suspend or revoke the certificate of authority of any insurer who knowingly fails to comply with this section.

SECTION 3. The insurance commissioner shall notify the legislature of the insolvency of any insurance company conducting business in the State of Hawaii not later than three days after the commissioner has determined that the insurer is insolvent, as defined in section 431:15-103, Hawaii Revised Statutes.

SECTION 4. This Act shall take effect on January 1, 1994, and shall be repealed on January 1, 1999.

(Approved April 26, 1993.)