

HOMEOWNERS INSURANCE

Town Hall Meeting with Sen. San Buenaventura and Rep. Ilagan
August 23, 2023

DCCA Hawaii Insurance Division



Agenda: Homeowners Insurance

- Rate approval process
- Lava zones
- Hawaii Property Insurance Association (HPIA)
- Why rate increases were approved
- State of insurance market



Rate Approval Process

- All Hawaii-licensed property insurers are required to submit proposals (i.e. rate filings) for rate changes to the Hawaii Insurance Division for approval, prior to implementation.
- Rate filings are reviewed for compliance with insurance law.
- HPIA rate filings are public record



Rate Approval Process

- Pursuant to Hawaii Revised Statutes (“HRS”), Chapter 431, Article 14, which includes rate regulation for property insurance, *“Rates shall not be “excessive, inadequate, or unfairly discriminatory”.*

https://www.capitol.hawaii.gov/hrscurrent/Vol09_Ch0431-0435H/HRS0431/HRS_0431-.htm

- The Hawaii Insurance Division regulates insurers to ensure solvency and must take care to ensure that the insurer’s rate is not inadequate.



Rate Approval Process

It is a difficult balance of keeping rates as low as possible and ensuring rates are adequate. An inadequate rate will lead to an insurers insolvency. If an insurer cannot remain solvent, then all policyholders are imperiled.



Lava Zone

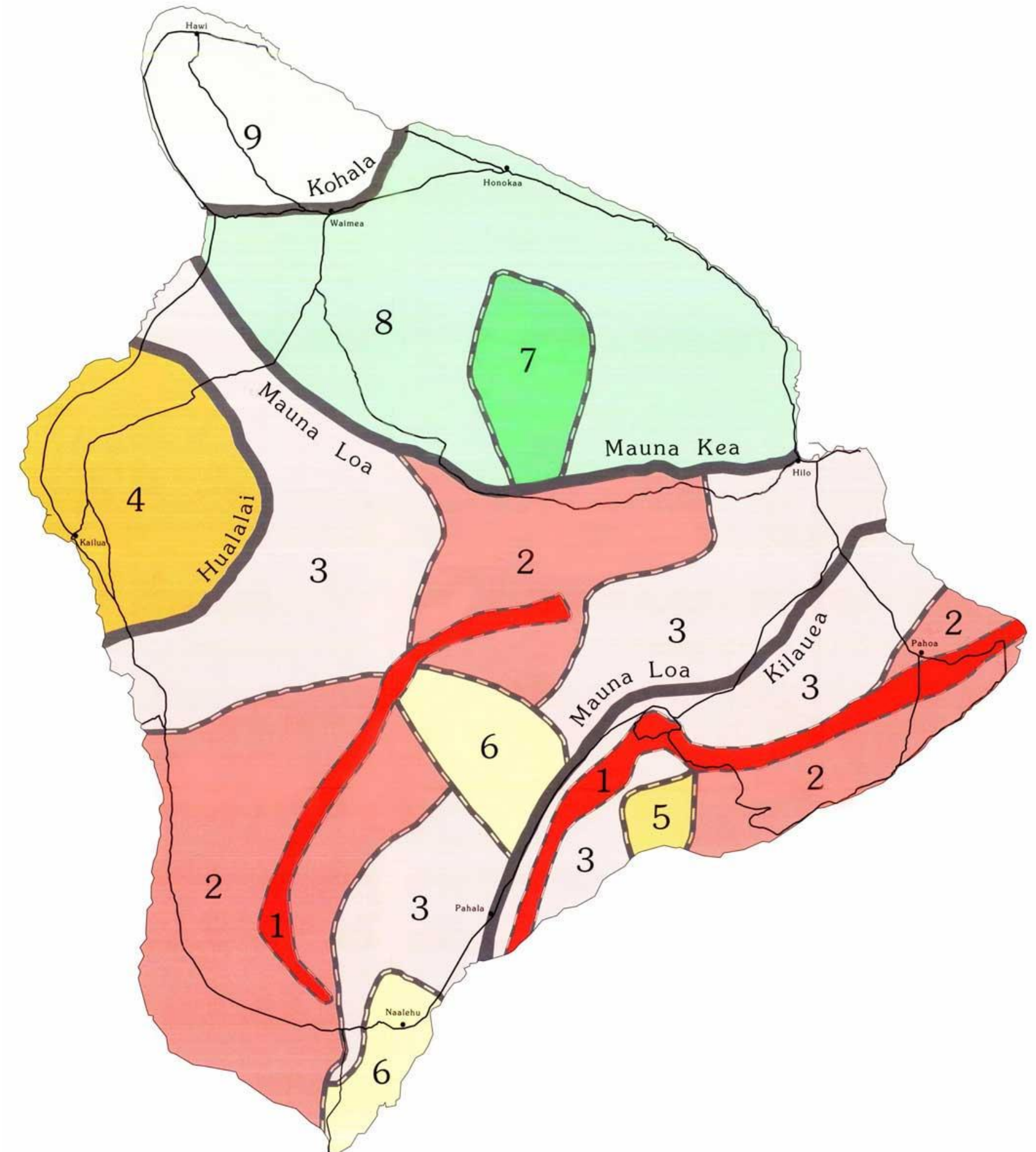
- Insurance companies and Hawaii Property Insurance Association (HPIA) rely on the United States Geological Survey (USGS) to identify perilous areas on the Big Island which we know as Lava Zones.



Lava Zone

- The Hawaii Insurance Division accepts the use of Lava Zones in rate making.
- Zone 1, Zone 2, Zone 3

<https://www.usgs.gov/media/images/lava-flow-hazard-zone-map-hawai-i-island>



Hawaii Property Insurance Association

hpiainfo.com

- HPIA was created by statute to ensure that property insurance remains available for properties located in hard-to-write areas.
- HPIA is the only alternative for those seeking new insurance coverage in perilous areas such as Lava Zone 1 and 2 when the voluntary market has left.
- HPIA serves an important function and it is the regulator's responsibility to ensure that HPIA remain solvent.
- HPIA losses have been greater than anticipated due to near back-to-back lava events in 2014 and 2018 in an area where the HPIA had a high concentration of policyholders.

Why Rate Increases Were Approved

- HPIA must collect sufficient premiums to support projected losses. A large portion of the premiums goes to pay for re-insurance, which is insurance for the insurer.
- The reinsurance expense was high for HPIA due to the 2014 and 2018 lava events and the continued lava activity on the Big Island in Zones 1 & 2, which drove the premium increase in large part.
- The reinsurance expense has become a challenge for all insurance companies, across all products and continues to put pressure on premiums. HPIA is particularly impacted because they write risk that other carriers do not wish to underwrite.
- Rate increase requests from HPIA are developed by their actuary and reviewed by the Insurance Division's property and casualty actuary.

State of the Insurance Market

- The state of the insurance market is described as good when the voluntary market is present and insurers compete for policyholders.
- The insurance market within a state can vary by product and by geographical location within the states.
- The availability of the insurance market in Hawaii is good across many different lines of business, which include products such as Homeowners, Auto, Liability and Workers' Compensation.
- However, the market is not good in areas where the voluntary market believes that premium cannot cover the risk of loss. Such is the case in Zones 1 & 2 of the Big Island.



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THANK YOU!

