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# A BILL FOR AN ACT

RELATING TO THE STABILIZATION OF PROPERTY INSURANCE.

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

1 PART I

2 SECTION 1. The legislature finds that before the wildfire  
3 event in Lahaina, Maui, on August 8, 2023, the availability of  
4 condominium building master property insurance policy options  
5 within the condominium insurance marketplace was already  
6 shrinking. Due in part to the shrinking condominium insurance  
7 marketplace, condominium building master insurance policies have  
8 increased exponentially, with insurers increasing deductible  
9 amounts from what used to be between \$10,000 to \$25,000 per  
10 unit, per occurrence, to as much as \$250,000. These increased  
11 deductibles are also due to consistent and high-cost losses.

12 The legislature also finds that while the State has avoided  
13 a direct, major impact from a major hurricane since Hurricane  
14 Iniki devastated Kauai and damaged homes along Oahu's leeward  
15 coast more than thirty years ago, mortgage lenders continue to  
16 require Hawaii homeowners to carry hurricane insurance that can



1 cost two to three times the annual premiums of a conventional  
2 homeowner policy.

3       The legislature further finds that Hawaii Business Magazine  
4 recently reported that generally, a condominium building or  
5 complex carries a master hurricane policy that covers one  
6 hundred per cent of the cost to replace the property--millions  
7 of dollars in many cases. Unfortunately, because insurance  
8 premiums for those policies have recently risen so high, the  
9 president of Insurance Associates estimates that three hundred  
10 seventy-five to three hundred ninety buildings, including new  
11 high-rise towers in Kakaako, Oahu, have opted to renew their  
12 hurricane insurance policies having less than one hundred per  
13 cent hurricane coverage. This practice of reducing coverage is  
14 creating complications and adverse consequences for every person  
15 and entity associated with condominiums in Hawaii, from lenders  
16 and insurance agents to buyers and sellers of condominiums.

17       Furthermore, some condominium associations for older  
18 buildings are forced to obtain property insurance through the  
19 secondary insurance market if they are dropped by the standard  
20 insurers for, among other things, having too many claims. The  
21 president of Insurance Associates reported that more than seven



1 hundred condominium buildings on Oahu alone were built before  
2 1990. These secondary market insurers are not bound by the  
3 State's laws or administrative rules governing rates, so their  
4 prices may be more expensive than those of standard insurance  
5 carriers.

6 To illustrate the difference in insurance premium costs,  
7 the president of Insurance Associates cites the example of one  
8 high-rise condominium in Waikiki in which the condominium  
9 association had been paying an annual insurance premium of  
10 \$235,000 for property and hurricane insurance and had already  
11 been dropped by two of the standard insurance companies when the  
12 third company declined to renew their insurance policy. The  
13 stated reason for the nonrenewal and rejection was that the  
14 building's aging plumbing had not been replaced. As a result,  
15 the condominium association was forced to purchase insurance on  
16 the secondary market, which cost approximately \$1,200,000.

17 The legislature finds that the consequences of  
18 under-insured condominium buildings, including condominium  
19 buildings that lack full hurricane coverage, also impact  
20 individual owners. Today, there are only three insurers writing  
21 hurricane coverage for condominium buildings, one of which is



1 only willing to underwrite \$10,000,000 to \$25,000,000 in  
2 hurricane coverage while underwriting all other coverage up to  
3 the building's value. If a condominium building's insurance  
4 coverage, including hurricane coverage, is below its full value,  
5 the mortgages on individual units within that building would not  
6 meet the underwriting criteria to qualify for purchase through  
7 the federal government's secondary mortgage market, meaning that  
8 these mortgages cannot be sold by financial institutions to  
9 mortgage investor entities such as Fannie Mae and Freddie Mac.  
10 Hurricane insurance coverage is available from the excess and  
11 surplus lines market, which comprises insurers who are not  
12 licensed in the State. However, some condominium buildings are  
13 unwilling to purchase this coverage because of its high price.  
14 The legislature understands that although this Act authorizes  
15 the Hawaii hurricane relief fund to expand coverage to  
16 condominium buildings, premium rates may be high due to the rise  
17 in the global reinsurance market for hurricane insurance caused  
18 by the frequency and severity of worldwide disasters.

19 In addition, Hawaii Business Magazine has reported that the  
20 2021 collapse of the Surfside condominium building in Miami is  
21 also having a ripple effect on condominium lending. In 2023,



1 Fannie Mae and Freddie Mac made permanent the rules for  
2 condominium lending that were created in the wake of that  
3 disaster and ceased buying loans for buildings or projects that  
4 have put off major repairs--such as replacing old water pipes.  
5 These new lending rules also prohibit the sale of a loan on a  
6 condominium building to Fannie Mae and Freddie Mac if that  
7 building has unfunded repairs totaling more than \$10,000 per  
8 unit.

9 This inability to sell condominium mortgages would require  
10 financial institutions that originated mortgages to retain those  
11 mortgages, thereby lessening their overall financial capacity to  
12 originate more mortgages. Further, the risk of loss if a  
13 hurricane occurs may impair a financial institution's financial  
14 safety and soundness, which would in turn hamper consumers'  
15 abilities to obtain financing to purchase dwellings of their  
16 own.

17 The legislature notes that the wildfire in Lahaina, Maui,  
18 on August 8, 2023, has also impacted the way reinsurers and  
19 standard insurers view Hawaii's wildfire risk. The president of  
20 Insurance Associates estimates that while Hawaii has always been  
21 rated for hurricanes for property insurance purposes, it has



1 never been rated for wildfires. Now that the State has  
2 experienced wildfires, not only in Lahaina, but also in Kula,  
3 West Oahu, and Mililani, parts of all islands will be rated for  
4 wildfires. Moreover, it is surmised that some insurers will not  
5 maintain their current policy-count in the State because of  
6 their increased costs for reinsurance, geographical  
7 concentration of risk, and inadequate rates both pre- and  
8 post-wildfire. Insurers have the financial responsibility to  
9 pay losses, and if reinsurance and premiums are not sufficient  
10 to cover these losses, an insurer needs to reduce their exposure  
11 by restricting new policies, reducing their policy-count, or  
12 both. The legislature recognizes that the price impact on  
13 reinsurance from recent wildfires is not fully known and price  
14 increases may continue into the foreseeable future.

15 The legislature also understands that the market for  
16 reinsurance, the insurance that property and casualty insurance  
17 companies pay to share their risk, is global. Therefore, storms  
18 and other catastrophic losses occurring anywhere in the world  
19 may potentially impact the amounts that homeowners and  
20 condominium associations in Hawaii pay for their insurance  
21 coverage.



1           The legislature also acknowledges that although insurance  
2 coverage, excluding hurricane coverage, for condominium  
3 buildings is available in the standard insurance market, the  
4 availability of this coverage is not guaranteed. If this  
5 coverage became unavailable to condominium buildings, then under  
6 this Act, the Hawaii property insurance association would be  
7 authorized to provide this coverage.

8           This Act expands the authority of these State-established  
9 insurance entities to assist in the stabilization of the  
10 property insurance market until risks can be depopulated back to  
11 the standard insurance market when market conditions improve and  
12 risks become more insurable because of building component  
13 replacement or maintenance, or mitigation equipment or protocols  
14 have been implemented for fire, wildfire, or hurricane events.

15           The legislature also recognizes that, although there has  
16 been much focus on the instability of the condominium insurance  
17 market in Hawaii, the broader property insurance industry faces  
18 uncertainty amidst changing economic and regulatory conditions,  
19 rising costs, increased reinsurance costs, and more frequent  
20 severe weather events. Given these precarious conditions, it is  
21 possible that a future disaster or other unforeseen circumstance



1 could cause the availability of insurance to shrink for classes  
2 of real property other than condominiums, including single  
3 family homes and townhouses.

4 Accordingly, this Act authorizes the Hawaii property  
5 insurance association to provide additional insurance coverage  
6 within the State for certain categories of properties if the  
7 Hawaii property insurance association and insurance commissioner  
8 determine that those categories of properties are experiencing a  
9 casualty and property insurance market failure. This authority  
10 will provide the Hawaii property insurance association with the  
11 flexibility to quickly address potential future disruptions in  
12 the insurance market. This flexibility is critical to ensure  
13 that Hawaii residents living in non-condominium properties such  
14 as single-family homes and townhouses are protected following  
15 unexpected disasters that could otherwise increase the cost of  
16 insurance to the point where residents cannot afford to continue  
17 living in their homes or in the State.

18 The legislature believes that it is critical to begin the  
19 process to adequately capitalize the Hawaii property insurance  
20 association and Hawaii hurricane relief fund because insuring  
21 these risks could bring an enormous amount of risk exposure to





1 the funds. Therefore, funding mechanisms must be broad on an  
2 initial and ongoing basis and spread among as many parties  
3 involved in real property transactions within the State as  
4 possible to ensure that the financial impacts are apportioned as  
5 equitably as practicable, and that reserve funds are adequately  
6 capitalized if losses exceed the funds' capacities.

7 In the past, the Hawaii hurricane relief fund was funded in  
8 part through the special mortgage recording fee, which was  
9 imposed on each mortgage recorded with the bureau of  
10 conveyances. The legislature recognizes concerns that the  
11 special mortgage recording fee is regressive because homebuyers  
12 who need to finance more of their purchase price are assessed  
13 proportionally more than buyers who need to finance less or who  
14 can afford to complete their purchase using cash.

15 Therefore, this Act repeals the special mortgage recording  
16 fee and instead authorizes the Hawaii hurricane relief fund  
17 board of directors to establish a temporary recording fee, which  
18 will be imposed as a flat assessment on each document that is  
19 recorded with the bureau of conveyances or filed with the  
20 assistant registrar of the land court of the State, as  
21 appropriate. This fee, if activated by the Hawaii hurricane



1 relief fund, is intended to be a temporary funding mechanism  
2 that will spread costs out in a way that will reduce the  
3 regressive financial impact imposed on individuals and families  
4 who can only afford to purchase a residential dwelling by  
5 financing the purchase. If the Hawaii hurricane relief fund  
6 board of directors determines that the fee revenue is no longer  
7 required, this Act allows the board to terminate collection of  
8 the fee without seeking legislative action.

9 This Act provides additional funding mechanisms through  
10 the:

- 11 (1) Appropriation of general funds for the Hawaii property  
12 insurance association; and
- 13 (2) Option for the Hawaii hurricane relief fund to  
14 reactivate the assessment of insurers at an assessment  
15 rate determined by the Hawaii hurricane relief fund's  
16 board of directors to augment the capitalization of  
17 the Hawaii hurricane relief fund.

18 The legislature finds that this Act is necessary to:

- 19 (1) Stabilize the property insurance market so that  
20 insurers continue to insure properties in the State;



1           (2) Ensure access to adequate property insurance for  
2           certain properties located within the State to allow  
3           lenders to finance mortgages that meet the  
4           requirements of the secondary mortgage market; and

5           (3) Serve an important public purpose.

6           This Act is a stop-gap measure to provide insurance  
7           availability for condominium associations that are unable to  
8           purchase adequate property insurance for their respective  
9           condominium buildings that are in insurable condition.  
10          Condominium associations that apply for coverage through the  
11          Hawaii property insurance association will need to pay premiums  
12          that are sufficient to cover the condominium association's  
13          exposure to losses. This measure is not designed to be a  
14          long-term solution, and therefore the legislature has imposed a  
15          one-time five-year coverage period and commissioned a study to  
16          recommend long-term solutions to stabilize the property  
17          insurance market in the State. To that end, in addition to  
18          providing for the issuance of short-term property insurance  
19          coverage, this Act also effectively requires the insurance  
20          commissioner to conduct a study to develop a long-term solution.  
21          The legislature notes that a long-term solution may potentially



1 include the issuance of property insurance policies for  
2 condominium buildings that are in need of repair or replacement  
3 of components.

4 The purpose of this Act is to:

- 5 (1) Amend state laws governing the Hawaii property  
6 insurance association and the Hawaii hurricane relief  
7 fund to enable these entities to underwrite certain  
8 insurance risks in the State that no standard insurer  
9 is currently willing to underwrite; and
- 10 (2) Require the insurance commissioner to conduct a study  
11 to monitor and identify the most effective methods of  
12 stabilizing the property insurance market in the  
13 State.

14 PART II

15 SECTION 2. Section 431:21-102, Hawaii Revised Statutes, is  
16 amended by adding three new definitions to be appropriately  
17 inserted and to read as follows:

18 ""Condominium" means real property that:

- 19 (1) Has a condominium association that is registered with  
20 the real estate commission in accordance with chapter  
21 514B, part VI;



- 1        (2) Consists of units, as defined in chapter 514B;  
2        (3) Is used for residential purposes; and  
3        (4) Is in insurable condition as determined by the  
4        association's board of directors.

5        "High-rise condominium" means a condominium that has four  
6        or more stories that contain units that are or can be occupied  
7        by a person.

8        "Property insurance" means policies, riders, or  
9        endorsements of insurance that provide indemnity, in whole or in  
10       part, for the loss, destruction, or damage of property and  
11       against legal liability for the death, injury, or disability of  
12       any human being, or from damage to property. "Property  
13       insurance" does not include any indemnity for loss, destruction,  
14       damage of property, or death, injury, or disability of any human  
15       being, or from damage to property, caused by a hurricane."

16       SECTION 3. Section 431:21-105, Hawaii Revised Statutes, is  
17       amended to read as follows:

18       **"§431:21-105 Powers and duties of the association. (a)**

19       In addition to any other requirements imposed by law, the  
20       association shall:



- 1 (1) Formulate and administer a plan of operation to insure  
2 persons having an insurable interest in real or  
3 tangible personal property in the area designated by  
4 the commissioner;
- 5 (2) On or before September 1, 2025, publish a notice  
6 inviting domestic insurers, as defined in section  
7 431:3-104, to submit to the board of directors of the  
8 association current statements of qualifications and  
9 expressions of interest to serve as a servicing  
10 facility to perform the obligations of the association  
11 as described in section 431:21-106(c)(2), (3), (4),  
12 (5), (6), (7), (9), (10), (11), and (12); provided  
13 that the request for submissions of statements of  
14 qualifications and expressions of interest shall be  
15 prepared by the commissioner;
- 16 (3) On or before October 1, 2025, award a servicing  
17 facility contract to a domestic insurer submitting a  
18 statement of qualifications and expression of interest  
19 described in paragraph (2); provided that:



1           (A) The processes described in paragraphs (2) and (3)  
2           and the selection of the servicing facility shall  
3           not be subject to chapter 103D; and

4           (B) The association, with approval of the  
5           commissioner, may award or renew a contract to a  
6           servicing facility for a term not to exceed three  
7           years;

8       ~~[(+2)]~~ (4) Reimburse ~~[each]~~ the servicing facility for  
9       obligations of the association paid by the facility  
10      and for expenses incurred by the facility while  
11      processing applications and servicing policies on  
12      behalf of the association; and

13      ~~[(+3)]~~ (5) Collect and maintain statistical information and  
14      other information required by the commissioner.

15           (b) In addition to any other powers allowed by law, the  
16      association may:

17           (1) Add additional insurance coverages with the approval  
18           of the commissioner, including coverage for commercial  
19           risks up to the limits of coverage for residential  
20           risks as set forth in the plan of operation;



- 1 (2) Employ or retain persons as are necessary to perform  
2 the duties of the association;
- 3 (3) Contract with a member insurer that is a domestic  
4 insurer, as defined in section 431:3-104, to perform  
5 the duties of the association;
- 6 (4) Sue or be sued;
- 7 (5) Borrow funds necessary to effectuate the purposes of  
8 this article in accord with the plan of operation;
- 9 (6) If approved by the commissioner, assess member  
10 insurers amounts necessary to cover extraordinary  
11 losses incurred by the association. Each member  
12 insurer shall be notified of the assessment not later  
13 than thirty days before it is due. No member insurer  
14 may be assessed in any year an amount greater than two  
15 per cent of that member insurer's net direct written  
16 premiums for the preceding calendar year. The  
17 association may exempt or defer, in whole or in part,  
18 the assessment of any member insurer if the assessment  
19 would cause the member insurer's financial statement  
20 to reflect amounts of capital or surplus less than the  
21 minimum amounts required for a certificate of





1 authority by any jurisdiction in which the member  
2 insurer is authorized to transact business;

3 (7) Devise a method to give credit to member insurers for  
4 homeowners and fire insurance policies individually  
5 underwritten on risks located in the area designated  
6 for coverage by the association;

7 (8) Negotiate and become a party to contracts as are  
8 necessary to carry out the purposes of this article;  
9 and

10 (9) Perform all other acts as are necessary or proper to  
11 effectuate the purpose of this article."

12 SECTION 4. Section 431:21-106, Hawaii Revised Statutes, is  
13 amended as follows:

14 1. By amending subsection (a) to read:

15 "(a) The association shall submit to the commissioner a  
16 plan of operation and any amendments to the plan necessary or  
17 suitable to [~~assure~~] ensure the fair, reasonable, and equitable  
18 administration of the association. The plan of operation and  
19 any amendment shall become effective upon approval in writing by  
20 the commissioner. If the association fails to submit a suitable  
21 plan of operation or if at any time the association fails to



1 submit suitable amendments to the plan, the commissioner shall  
2 adopt the rules necessary to carry out this article. The rules  
3 shall continue in force until modified by the commissioner or  
4 superseded by a plan submitted by the association and approved  
5 in writing by the commissioner."

6 2. By amending subsection (c) to read:

7 "(c) The plan of operation [~~shall~~]:

- 8 (1) [~~Establish~~] Shall establish procedures for performance  
9 of all the powers and duties of the association under  
10 section 431:21-105;
- 11 (2) [~~Establish~~] Shall establish maximum limits of  
12 liability to be placed through the association;
- 13 (3) [~~Establish~~] Shall establish reasonable underwriting  
14 standards for determining insurability of a risk  
15 [~~which~~] that are comparable to the standards used to  
16 determine insurability of a risk located outside the  
17 area designated by the commissioner as eligible for  
18 association coverage;
- 19 (4) [~~Establish~~] Shall establish a schedule of deductibles,  
20 if appropriate;



1        (5) Shall establish a maximum period of time during which  
2        a high-rise condominium may be eligible to be insured  
3        by the association, which shall not exceed sixty  
4        months;

5        [~~(5) Establish~~] (6) Shall establish the [~~commission~~] flat  
6        fee to be paid to licensed producers;

7        [~~(6) Establish~~] (7) Shall establish the rates to be  
8        charged for the insurance coverages, so that the total  
9        premium income from all association policies, when  
10       combined with the investment income, shall annually  
11       fund the administration of the association. The  
12       administration of the association shall include the  
13       expenses incurred in processing applications,  
14       conducting inspections, issuing and servicing  
15       policies, paying commissions, and paying claims, but  
16       shall not include assessments approved by the  
17       commissioner;

18       [~~(7) Establish~~] (8) Shall establish the manner and scope  
19       of the inspection and the form of the inspection  
20       report. The inspection guidelines may include setting



1 minimum conditions the property must meet before an  
2 inspection is required;

3 [~~(8)~~ ~~Establish~~] (9) Shall establish procedures whereby  
4 selections for the board of directors will be  
5 submitted to the commissioner for the commissioner's  
6 information;

7 [~~(9)~~ ~~Establish~~] (10) Shall establish procedures for  
8 records to be kept of all financial transactions of  
9 the association, its producers, and its board of  
10 directors;

11 [~~(10)~~ ~~Establish~~] (11) Shall establish procedures by which  
12 applications will be received and serviced by the  
13 association;

14 [~~(11)~~ ~~Establish~~] (12) Shall establish guidelines for the  
15 investigation and payment of claims; ~~and~~

16 ~~(12)~~ ~~Establish~~] (13) Shall establish procedures whereby  
17 the association may assume and cede reinsurance on  
18 risks written through the association~~[-]~~;

19 (14) Shall include the following:

20 (A) Coverage forms, endorsements, limits, and  
21 deductibles for the covered condominium; provided



1                   that the association may categorize these forms,  
2                   endorsements, limits, and deductibles by the type  
3                   of peril being covered;

4                   (B) Rate tiers, including potential high deductible  
5                   options and surcharges for condominiums that  
6                   remain in the plan of operation;

7                   (C) Provisions authorizing the association to decline  
8                   providing coverage;

9                   (D) Potential annual premium rate increases; and

10                  (E) Establishment of adequate rates to avoid  
11                  assessment of the voluntary market;

12                  (15) Shall require, prior to issuance or renewal of  
13                  coverage, the applicant for condominium insurance  
14                  coverage or renewal to:

15                  (A) Provide the following to the association:

16                    (i) The condominium association's declarations,  
17                    bylaws, or other documents that describe  
18                    their process for paying claims, including  
19                    the portion of the claim to be paid by the  
20                    condominium association and the portion to  
21                    be paid by each unit owner; and



- 1           (ii) The condominium association's declarations,  
2                   bylaws, or other documents that describe  
3                   their process for handling losses both  
4                   pursuant to the applicable master policy and  
5                   by the applicable condominium association;
- 6           (B) Cause to be completed an inspection of the  
7                   applicable condominium; provided that the  
8                   inspection shall be consistent with any  
9                   inspection and reporting standards established by  
10                  the board of directors of the association and  
11                  incorporated into the plan of operation pursuant  
12                  to paragraph (8); and
- 13           (C) Satisfy any relevant requirements established by  
14                   the board of directors of the association and  
15                   incorporated into the plan of operation; and
- 16           (16) May prohibit coverage under this article for any  
17                   high-rise condominium for which the association or its  
18                   servicing entities or any agents thereof have  
19                   identified maintenance issues that materially affect  
20                   the insurability of the high-rise condominium for the  
21                   type of coverage being sought."



1 SECTION 5. Section 431:21-107, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "~~{ }\$431:21-107{ } Designation of area.~~ Coverage  
4 eligibility. (a) After consultation with representatives of  
5 the United States Geological Survey, the state department of  
6 defense, and the county in which the area is located, the  
7 commissioner shall designate the geographical area eligible for  
8 coverage in lava zones 1 and 2 through the association. Those  
9 properties in the designated area that meet the standards set  
10 forth in the plan of operation shall be provided insurance  
11 through the association.

12 For the purposes of this subsection, "lava zones 1 and 2"  
13 means the two zones designated on the United States Geological  
14 Survey's lava flow hazard zone map that are the most hazardous  
15 and includes volcanic vents in the summits and rift zones of the  
16 two most active volcanoes within the State.

17 (b) A condominium association registered under chapter  
18 514B, part VI, having an insurable interest in real or tangible  
19 property that is a condominium that is subject to this chapter,  
20 located within the State, and that meets the criteria and



1 requirements set forth in the plan of operation, may be provided  
2 property insurance through the association.

3 (c) Additional insurance coverages may be provided  
4 statewide, including but not limited to single family  
5 residences, townhouses, or any other categories of property for  
6 which the insurance market is experiencing a failure of the  
7 casualty and property insurance market, as determined by the  
8 association and approved by the insurance commissioner."

9 SECTION 6. Section 431:21-109, Hawaii Revised Statutes, is  
10 amended to read as follows:

11 **"§431:21-109 Insurance coverages available under plan.**

12 [~~a~~] All properties qualifying for coverage under the plan of  
13 operation shall be eligible for the standard fire policy and  
14 extended coverage endorsement. The association shall provide  
15 additional coverages when directed by the commissioner or when  
16 approved by the commissioner. Nothing in this section shall be  
17 construed as authorizing the association to provide hurricane  
18 coverage.

19 [~~b~~] ~~At the written request of any person who is, or is~~  
20 ~~attempting to become, a mortgagor on real property that~~  
21 ~~qualifies for coverage under the plan of operation, the~~





1 ~~association shall provide coverage for an amount not less than~~  
2 ~~the amount of the mortgage obligation, but no greater than the~~  
3 ~~value of the property being insured; provided that it does not~~  
4 ~~exceed the limits of the plan. The policy shall name the~~  
5 ~~intended mortgagee as the beneficiary for the amount equal to~~  
6 ~~the outstanding balance on the mortgage.~~

7 ~~(c) In the application of subsection (b), the amount~~  
8 ~~covered under the policy shall comply with article 10E.]"~~

9 SECTION 7. Section 431:21-115, Hawaii Revised Statutes, is  
10 amended as follows:

11 "~~[f]§431:21-115[ ]—Credits for~~ **Recoupment of assessments**  
12 **paid.** ~~[A member insurer may offset against its premium tax~~  
13 ~~liability to this State an assessment made with the~~  
14 ~~commissioner's approval to the extent of twenty per cent of the~~  
15 ~~amount of the assessment for each of the five calendar years~~  
16 ~~following the year in which the assessment was paid. In the~~  
17 ~~event a member insurer should cease doing business in this~~  
18 ~~State, all uncredited assessments may be credited against its~~  
19 ~~premium tax liability for the year it ceases doing business.]~~

20 (a) Each member insurer shall annually recoup assessments paid  
21 by the member insurer under section 431:21-105(b) (6). The



1 recoupment shall be recovered by means of a surcharge on  
2 premiums charged by the member insurer for property and casualty  
3 insurance, not including motor vehicle insurance. Any excess  
4 recovery by a member insurer shall be credited pro rata to that  
5 member insurer's policyholders' premiums in the succeeding year  
6 unless there has been a subsequent assessment, in which case the  
7 excess shall be used to pay the amount of the subsequent  
8 assessment. A member insurer may continue to surcharge premiums  
9 until the full assessments are recouped.

10 (b) The surcharge required under subsection (a) shall be  
11 established by the association and shall not exceed two per cent  
12 of the total premiums charged for each policy by the member  
13 insurer.

14 (c) Each member insurer shall provide to the association  
15 an accounting of its recoupments. The association shall compile  
16 the member insurers' accountings and submit them as part of the  
17 association's annual report to the commissioner.

18 (d) The amount of and reason for any surcharge shall be  
19 separately stated on any billing sent to an insured. The  
20 surcharge shall not be considered premiums for any other



1 purpose, including the computation of gross premium tax or the  
2 determination of producer commissions."

3 PART III

4 SECTION 8. Chapter 431P, Hawaii Revised Statutes, is  
5 amended by adding two new sections to be appropriately  
6 designated and to read as follows:

7 "§431P-A Recoupment of assessments paid. (a) Each  
8 licensed property and casualty insurer shall annually recoup  
9 assessments paid by the licensed property and casualty insurer  
10 under section 431P-5(b) (8) (A) and (B). The recoupment shall be  
11 recovered by means of a surcharge on premiums charged by the  
12 licensed property and casualty insurer for policies on which the  
13 assessment was made. Any excess recovery by a licensed property  
14 and casualty insurer shall be credited pro rata to that  
15 insurer's policyholder's premiums in the succeeding year unless  
16 there has been a subsequent assessment, in which case the excess  
17 shall be used to pay the amount of the subsequent assessment. A  
18 licensed property and casualty insurer may continue to collect a  
19 surcharge on premiums until the full assessments are recouped.



1        (b) The surcharge required under subsection (a) shall be  
2 the same percentage of the total premiums charged for each  
3 policy assessed under section 431P-5(b)(8)(A) and (B).

4        (c) Each licensed property and casualty insurer shall  
5 provide to the fund an accounting of its recoupments. The fund  
6 shall compile the licensed property and casualty insurers'  
7 accountings and submit them as part of the fund's annual report  
8 to the commissioner.

9        (d) The amount of and reason for any surcharge shall be  
10 separately stated on any billing sent to an insured. The  
11 surcharge shall not be considered a premium for any other  
12 purpose, including the computation of gross premium tax or the  
13 determination of producer commissions.

14        **§431P-B Temporary recording fee; establishment, reduction,**  
15 **and cessation by board.** (a) The board may activate, reduce, or  
16 terminate the collection of a temporary recording fee as  
17 provided in this section.

18        (b) The temporary recording fee shall be imposed on each  
19 document that is recorded with the bureau of conveyances or  
20 filed with the assistant registrar of the land court of the  
21 State.



1        (c) If the board establishes or reactivates the temporary  
2 recording fee, the board shall:

3        (1) Set the amount of the fee; provided that the amount  
4 shall not exceed \$                    per document recorded  
5 with the bureau of conveyances or filed with the  
6 assistant registrar of the land court of the State;  
7 and

8        (2) Establish the period of time during which the fee  
9 shall be collected; provided that the time period  
10 shall not exceed                    months.

11        (d) The temporary recording fee shall not apply to  
12 documents recorded or filed for parcels in the agricultural land  
13 use district pursuant to section 205-2.

14        (e) Notwithstanding the amount or time period established  
15 under subsection (c) (1) or (2), the board at any time may:

16        (1) Reduce the amount of the temporary recording fee; or  
17 (2) Terminate the collection of the temporary recording  
18 fee.

19        (f) The temporary recording fee shall be submitted to and  
20 collected by the bureau of conveyances or the assistant  
21 registrar of the land court of the State. All proceeds realized



1 from the collection of the fee shall be deposited into a  
2 separate account of the hurricane reserve trust fund.

3 (g) The temporary recording fee shall be in addition to  
4 any applicable fees under chapter 501 or 502."

5 SECTION 9. Section 431P-1, Hawaii Revised Statutes, is  
6 amended as follows:

7 1. By adding two new definitions to be appropriately  
8 inserted and to read:

9 "Condominium" means real property that:

- 10 (1) Has an association registered with the real estate  
11 commission in accordance with chapter 514B, part VI;  
12 (2) Consists of units, as defined in chapter 514B;  
13 (3) Is used for residential purposes; and  
14 (4) Is in insurable condition as determined by the board.

15 "High-rise condominium" means a condominium that has four  
16 or more stories that contain units that are or can be occupied  
17 by a person."

18 2. By amending the definition of "eligible property" to  
19 read:

20 "Eligible property" means:



- 1           (1) Real property [~~of one to four units~~] used for  
2           residential purposes and [~~which~~] that is in insurable  
3           condition, and [~~which~~] that may include tangible  
4           personal property located therein or thereon and other  
5           structures at the insured location, as provided in the  
6           plan of operation or any manual of rules and rates  
7           adopted under the plan of operation;
- 8           (2) Real property used for business, commercial, or  
9           industrial purposes [~~which~~] that is in insurable  
10          condition, and [~~which~~] that may include tangible  
11          personal property located therein or thereon, as  
12          provided in the plan of operation or any manual of  
13          rules and rates adopted under the plan of operation;
- 14          (3) Tangible personal property owned by an occupant of and  
15          located in or on real property of the types described  
16          in paragraph (1), as provided in the plan of operation  
17          or any manual of rules and rates adopted under the  
18          plan of operation; provided that the owner of the  
19          tangible personal property does not own the real  
20          property in or [~~on~~] upon which the tangible personal  
21          property is located; [~~and~~]



1 (4) Tangible personal property owned by an occupant of and  
2 located in or on real property of the types described  
3 in paragraph (2) as provided in the plan of operation  
4 or any manual of rules and rates adopted under the  
5 plan of operation; provided that the owner of the  
6 tangible personal property does not own the real  
7 property in or ~~on~~ upon which the tangible personal  
8 property is located~~[+]~~; and

9 (5) A condominium that is used for residential purposes  
10 and that may include tangible personal property  
11 located therein or thereon and other structures at the  
12 insured location, as provided in the plan of operation  
13 or any manual of rules and rates adopted under the  
14 plan of operation."

15 3. By amending the definition of "licensed property and  
16 casualty insurer" to read:

17 ""Licensed property and casualty insurer" means[+  
18 ~~(1) Any]~~ any insurer licensed to transact any one or more  
19 classes of insurance authorized in section 431:3-204  
20 where premiums written within ~~[such]~~ the authority are  
21 required to be reported in the "Exhibit of Premiums





1 and Losses" for this State in the National Association  
 2 of Insurance Commissioners fire and casualty annual  
 3 statement convention blank that is required to be  
 4 filed with the commissioner under section 431:3-302[~~+~~  
 5 and

6 ~~(2) The Hawaii Property Insurance Association created in~~  
 7 ~~article 21 of chapter 431]."~~

8 4. By amending the definition of "policy of hurricane  
 9 property insurance" to read:

10 ""Policy of hurricane property insurance" means a policy or  
 11 endorsement of insurance issued by the fund insuring only  
 12 against damage or loss to eligible property caused by a covered  
 13 event [~~in excess of the deductible and up to:~~

14 ~~(1) \$750,000 per risk on real property of one to four~~  
 15 ~~units used for residential purposes and the personal~~  
 16 ~~property located therein or thereon and other~~  
 17 ~~structures at the insured location, subject to the~~  
 18 ~~limits defined by the plan of operation or any manual~~  
 19 ~~of rules and rates adopted under the plan of~~  
 20 ~~operation; and~~



1       ~~(2) \$500,000 per risk on real and personal property used~~  
2       ~~for business, commercial, or industrial purposes,~~  
3       ~~subject to the limits defined by the plan of operation~~  
4       ~~or any manual of rules and rates adopted under the~~  
5       ~~plan of operation; provided that the board may~~  
6       ~~designate an association of property owners or~~  
7       ~~cooperative housing corporation to be a commercial~~  
8       ~~risk; provided that this policy or endorsement shall~~  
9       ~~not include coverage for business interruption and~~  
10       ~~other similar coverages.] subject to the limits and~~  
11       ~~deductibles allowed by the plan of operation or any~~  
12       ~~manual of rules and rates adopted under the plan of~~  
13       ~~operation."~~

14       SECTION 10. Section 431P-2, Hawaii Revised Statutes, is  
15       amended to read as follows:

16       "**[+]§431P-2[+]** **Establishment of Hawaii hurricane relief**  
17       **fund.** There shall be a Hawaii hurricane relief fund to be  
18       placed within the department of commerce and consumer affairs  
19       for administrative purposes. The fund shall be a public body  
20       and a body corporate and politic. Any applicant for insurance  
21       from the fund shall provide proof, to the satisfaction of the



1 board, of the inability to obtain hurricane property insurance  
2 from insurers licensed to transact business in the State."

3 SECTION 11. Section 431P-3, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "**§431P-3 Board of directors.** (a) The board of directors  
6 of the fund shall consist of the insurance commissioner as an ex  
7 officio voting member and six members appointed by the governor  
8 in accordance with section 26-34. The board shall be the policy  
9 making body of the fund. As such, the board shall be  
10 responsible for establishing policies for the administration and  
11 operation of the fund and the performance of other duties and  
12 functions assigned to the fund.

13 (b) Two members shall, by and with the advice and consent  
14 of the senate, be appointed by the governor for a term of four  
15 years; provided that of the initial appointees, one shall be  
16 appointed for a two-year term. A vacancy on the authority of a  
17 seat subject to this subsection shall be filled in accordance  
18 with Article V, section 6, of the Constitution of the State of  
19 Hawaii.

20 (c) Two members shall, by and with the advice and consent  
21 of the senate, be appointed by the governor from a list of



1 nominations submitted by the president of the senate. The  
2 members appointed from a list of nominations of the president of  
3 the senate shall serve for a term of four years; provided that  
4 of the initial appointees, one shall be appointed for a two-year  
5 term.

6 (d) Two members shall, by and with the advice and consent  
7 of the senate, be appointed by the governor from a list of  
8 nominations submitted by the speaker of the house of  
9 representatives. The members appointed from a list of  
10 nominations of the speaker of the house of representatives shall  
11 serve for a term of four years; provided that of the initial  
12 appointees, one shall be appointed for a two-year term.

13 (e) The governor shall select a chairperson and vice-  
14 chairperson from among the members.

15 (f) The board shall meet as often as necessary to  
16 formulate and implement strategies and plans of operation in  
17 furtherance of this chapter. Upon its appointment, the board  
18 shall adopt an interim plan of operation within ninety days.

19 (g) The appointed directors shall receive no compensation  
20 for services, but shall be entitled to reimbursement of



1 necessary expenses, including travel expenses, incurred in the  
2 performance of their duties.

3 (h) The board may appoint, not subject to chapter 76, an  
4 executive director of the fund whose salary shall be set by the  
5 board. The board may employ, not subject to chapter 76,  
6 technical experts and officers, agents, and employees, permanent  
7 or temporary, as required. The board may also contract with  
8 persons, not subject to chapters 76 and 78 when in the  
9 determination of the board, the services to be performed are  
10 unique and essential to the execution of the functions of the  
11 fund.

12 (i) (A) On or before September 1, 2025, the board shall  
13 publish a notice inviting domestic insurers, as  
14 defined in section 431:3-104, that are  
15 transacting direct property insurance in the  
16 State to submit to the board current statements  
17 of qualifications and expressions of interest to  
18 serve as a servicing facility to assist the fund  
19 in performing the responsibilities described in  
20 section 431P-4 and in executing the powers,  
21 duties, and functions of the fund as described in



1 section 431P-5, as deemed appropriate by the  
2 board with the approval of the commissioner;  
3 provided that the request for submissions of  
4 statements of qualifications and expressions of  
5 interest shall be prepared by the commissioner.

6 (B) On or before October 1, 2025, the board shall  
7 award a servicing facility contract to a domestic  
8 insurer that submitted a statement of  
9 qualifications and expression of interest  
10 pursuant to subparagraph (A). The processes  
11 described in this subparagraph and subparagraph  
12 (A) and the selection of the servicing facility,  
13 shall not be subject to chapter 76, 78, or 103D.

14 (C) The fund, with approval by the commissioner, may  
15 award or renew a contract to a servicing facility  
16 for a term not to exceed three years."

17 SECTION 12. Section 431P-5, Hawaii Revised Statutes, is  
18 amended to read as follows:

19 **"§431P-5 Powers, duties, and functions.** (a) The Hawaii  
20 hurricane relief fund shall have the following general powers:

21 (1) To sue and be sued;

- 1 (2) To make and alter policies for its organization and  
2 internal administration;
- 3 (3) To adopt rules in accordance with chapter 91 to  
4 effectuate the purposes of this chapter;
- 5 (4) To borrow moneys, including but not limited to moneys  
6 from state or federal sources and to issue notes or  
7 other obligations of the fund for the purposes of  
8 providing funds for any of its purposes as authorized  
9 by the legislature from time to time;
- 10 (5) To pledge, assign, or grant a security interest in all  
11 or any part of the moneys, rents, charges,  
12 assessments, or other revenue and any proceeds thereof  
13 derived by the fund; provided that any pledge,  
14 assignment, or grant of security interest shall  
15 constitute a lien and security interest on [~~such~~] the  
16 money, rents, charges, assessments, or other revenue,  
17 and any proceeds thereof to the extent and with the  
18 priority set forth in the document establishing the  
19 pledge, assignment, or security interest, without the  
20 necessity for physical delivery, recording, or further  
21 act; and provided further that in effectuating any



1           pledge, assignment, or grant of security interest, the  
2           fund may do either or both of the following:

3           (A) Transfer possession of collateral to its secured  
4           parties; or

5           (B) Execute and cause to be filed at the bureau of  
6           conveyances of the State of Hawaii, Uniform  
7           Commercial Code financing statements for the  
8           purpose of providing notice to third parties of a  
9           pledge, assignment, or grant of security  
10          interest; provided that any failure to file a  
11          financing statement or the filing of a financing  
12          statement that contains incomplete or inaccurate  
13          information shall not affect the perfected lien  
14          and security interest of the pledge, assignment,  
15          or grant of security interest; and

16          (6) Enter into contracts as necessary to effectuate the  
17          purposes of this chapter.

18          (b) In addition to the general powers under subsection

19          (a), the fund shall have the specific power to:

20          (1) Adopt and administer a plan of operation in accordance  
21          with section 431P-7, and a manual of rules and rates





1 to provide persons having an insurable interest in  
2 eligible property with insurance coverage provided by  
3 the fund;

4 (2) Authorize the provision of hurricane coverage by the  
5 fund for real property and tangible personal property  
6 located in or on real property and establish limits of  
7 liability for specific coverages within the range of  
8 authorized coverage;

9 (3) Adopt actuarially sound rates based on reasonable  
10 assumptions relative to expectations of hurricane  
11 frequency and severity for all coverage provided under  
12 policies or endorsements issued by the fund. Rates  
13 adopted shall be subject to approval by the  
14 commissioner pursuant to article 14 of chapter 431.  
15 Rates adopted shall provide for classification of  
16 risks and shall include past and prospective losses  
17 and expense experience in this State;

18 (4) Adopt procedures, guidelines, and surcharges  
19 applicable to policies of hurricane property insurance  
20 issued in connection with an underlying property  
21 policy issued by an unauthorized insurer;



- 1 (5) Adopt any form of insurance policy necessary for  
2 providing policies of hurricane property insurance by  
3 the fund, with the approval of the commissioner;
- 4 (6) Issue policies of hurricane property insurance and pay  
5 claims for coverage over the mandatory deductible or  
6 other deductible provided in the plan of operation or  
7 any manual of rules and rates adopted under the plan  
8 of operation;
- 9 (7) [~~Require every licensed property and casualty~~] Select  
10 and contract with a domestic insurer transacting  
11 direct property insurance business in this State to  
12 act as a servicing facility, and by contract with that  
13 insurer authorize the insurer to inspect eligible  
14 properties, service policies and policyholders of  
15 hurricane property insurance, provide claim services,  
16 and perform any other duties as authorized by the fund  
17 for applicants to the fund and those insured by it;
- 18 (8) (A) Assess all licensed property and casualty  
19 insurers the amounts [~~which,~~] that, together with  
20 the other assets of the fund, are sufficient to  
21 meet all necessary obligations of the fund. The



1 assessment shall be made on the insurer's gross  
2 direct written premiums for property and casualty  
3 insurance in this State for the preceding  
4 calendar year. The rate of assessment shall be  
5 established by the board and in a year in which a  
6 covered event has not occurred [~~shall be~~] may be  
7 up to a percentage not to exceed 3.75 per cent  
8 and shall not include the insurer's gross direct  
9 written premiums for motor vehicle insurance in  
10 this State; provided that following a covered  
11 event, the rate of assessment may be increased to  
12 an amount not to exceed five per cent and may  
13 include the insurer's gross direct written  
14 premiums for motor vehicle insurance in this  
15 State. This increase shall remain in effect  
16 until [~~such~~] the time [~~as~~] all claims and other  
17 obligations, including but not limited to bonds  
18 and notes, arising out of a covered event [~~shall~~]  
19 have been fully discharged. [~~An insurer~~  
20 ~~authorized to provide comparable coverage under~~  
21 ~~section 431P-10(b) and which is providing~~



1 ~~hurricane property insurance in the State shall~~  
2 ~~be assessed an amount that excludes gross direct~~  
3 ~~written premiums for property insurance in this~~  
4 ~~State.]~~ The assessment for a year in which a  
5 covered event has not occurred shall be collected  
6 quarterly during each calendar year;

7 (B) ~~[In the event of]~~ If a loss occurs from a covered  
8 event the fund, in addition to the assessment in  
9 subparagraph (A), ~~[shall]~~ assess those insurers  
10 ~~[which]~~ that acted as servicing facilities during  
11 the twelve months ending at the start of the  
12 month preceding the month in which the covered  
13 event occurs. The total assessment shall be a  
14 fixed percentage of the total coverage provided  
15 by the fund under its policies of hurricane  
16 property insurance during the month preceding the  
17 month in which the covered event occurs. The  
18 percentage to be used in calculating the total  
19 assessment shall be ~~[as follows]:~~

20 ~~[(i) For calendar year 1998, a percentage as~~  
21 ~~fixed by the board in the plan of operation,~~



1                   ~~but in no event shall the total assessment~~  
2                   ~~exceed \$500,000,000;~~  
3                   ~~(ii) For calendar year 1999, 1.125 per cent;~~  
4                   ~~(iii) For calendar year 2000, 1.25 per cent; and~~  
5                   ~~(iv)]~~ (i) For calendar year 2001, [~~and each~~  
6                   ~~calendar year thereafter,~~] 1.5 per cent~~[-];~~  
7                   and  
8                   (ii) Beginning January 1, 2026, a percentage not  
9                   to exceed 1.5 per cent as determined by the  
10                   board.

11                   A separate total assessment shall be made for  
12                   each covered event. The total assessment shall  
13                   be allocated to each servicing facility based on  
14                   the proportion of the total amount of the fund's  
15                   gross direct written premiums for policies of  
16                   hurricane property insurance serviced by each  
17                   servicing facility to the total amount of the  
18                   fund's gross direct written premiums for policies  
19                   of hurricane property insurance, in each case,  
20                   during the twelve months ending at the start of  
21                   the month preceding the month in which the



1 covered event occurs. Assessments made under  
2 this subparagraph and those under subparagraph  
3 (A) in a year in which a covered event has  
4 occurred are due from each insurer based on  
5 assessment procedures established by the fund to  
6 meet its obligations to policyholders in a timely  
7 manner; and

8 (C) [~~The fund may exempt~~] Exempt or defer, in whole  
9 or in part, the assessment of any insurer if the  
10 assessment would cause the insurer's financial  
11 statement to reflect amounts of capital or  
12 surplus less than the minimum amounts required  
13 for a certificate of authority in this State;

14 (9) Develop a program of incentives to encourage insurers  
15 to provide policies of hurricane property insurance  
16 [~~in the event~~] if the commissioner authorizes the  
17 provision of comparable insurance pursuant to section  
18 431P-10[~~(b) which~~] that may include but are not  
19 limited to exemption of the insurer's gross direct  
20 written premium for property insurance from the  
21 assessment pursuant to paragraph (8) (A);



- 1       ~~[-(10)]~~ ~~Develop a credit based on the difference between~~  
2       ~~premiums written in 1993 and the premiums written in~~  
3       ~~1992 by each property insurer against the assessment~~  
4       ~~for gross direct written premiums written in 1993;~~
- 5       ~~[-(11)]~~ (10) Develop procedures regarding policies written by  
6       unauthorized insurers comparable to the assessments,  
7       surcharges, and other contributions made by insurers  
8       authorized to do business in this State;
- 9       ~~[-(12)]~~ (11) Accumulate reserves or funds, including the  
10       investment income thereon, to be used for paying  
11       expenses, making or repaying loans or other  
12       obligations of the fund, providing loss mitigation  
13       incentives, and paying valid claims for covered events  
14       insured by the fund;
- 15       ~~[-(13)]~~ (12) Collect and maintain statistical and other data  
16       as may be required by the commissioner;
- 17       ~~[-(14)]~~ ~~Exempt mortgage transactions from payments of the~~  
18       ~~special mortgage recording fee and provide for maximum~~  
19       ~~limits on or, uniform reduction of the special~~  
20       ~~mortgage recording fee, pursuant to rules adopted by~~  
21       ~~the board;~~



- 1     ~~(15)~~ ~~Suspend or reactivate the special mortgage recording~~  
2     ~~fee pursuant to resolution of the board;~~
- 3     ~~(16)]~~ (13) Impose fines for each incident of nonpayment of  
4     amounts due to the fund under this chapter; provided  
5     that the fines shall not exceed twenty-five per cent  
6     of the amount then due;
- 7     ~~[(17)]~~ (14) Create loss mitigation incentives, including but  
8     not limited to premium credits, premium rebates,  
9     loans, or cash payments;
- 10    ~~[(18)]~~ (15) Enter into claims financing transactions,  
11    including but not limited to reinsurance transactions,  
12    debt transactions, and other transactions  
13    incorporating elements of reinsurance, insurance,  
14    debt, or equity;
- 15    ~~[(19)]~~ (16) Establish business and corporate entities or  
16    organizations pursuant to the purposes of this  
17    chapter; ~~[and]~~
- 18    (17) Receive for deposit into separate accounts within the  
19    hurricane reserve trust fund established pursuant to  
20    section 431P-16 revenues received from any fee revenue  
21    authorized by the legislature for deposit into the





1            hurricane relief trust fund, and any other source of  
2            revenue available to the board; and  
3        [~~(20)~~] (18) Perform any and all acts reasonably necessary to  
4            carry out the purposes of this chapter."

5            SECTION 13. Section 431P-5.5, Hawaii Revised Statutes, is  
6 amended as follows:

7            1. By amending subsection (a) to read:

8            "(a) Upon written confirmation from the insurance  
9 commissioner that the director [~~of finance~~] has secured  
10 \$500,000,000, in the aggregate, in the form of:

11            (1) Commitments from either the federal government or an  
12            agency of the federal government or a financial  
13            institution;

14            (2) Revenue bonds other than those issued or to be issued  
15            in response to the occurrence of a covered event; or

16            (3) A combination of the commitments or bonds[+],

17 the Hawaii hurricane relief fund shall[+]

18            ~~(1) Control]~~ control or freeze rates[+] and

19            [~~(2) Continue]~~ continue accumulating premiums from policies  
20            of hurricane property insurance [~~and the special~~  
21            ~~mortgage recording fee~~], net of any reinsurance



1           payments, operating expenses, and funds necessary for  
2           the development of a comprehensive loss reduction  
3           plan."

4           2. By amending subsections (c) and (d) to read:

5           "(c) [~~In the event of~~] If a loss from a covered event~~[,]~~  
6 occurs, the net moneys accumulated shall be used to settle  
7 claims and pay current and ongoing expenses of the Hawaii  
8 hurricane relief fund. The net accumulated moneys, commitments,  
9 and bonds described in subsection (a) [~~+2~~] shall be used only  
10 [~~in the event~~] if losses from a covered event exceed the  
11 assessment pursuant to section 431P-5(b)(8)(B).

12           (d) [~~In the event~~] If the balance of the net accumulated  
13 moneys falls below \$400,000,000, the Hawaii hurricane relief  
14 fund shall establish rates, subject to the approval of the  
15 [~~insurance~~] commissioner, necessary to replenish the account  
16 balance to \$500,000,000, as promptly as reasonably practicable.  
17 The director of finance shall seek to arrange additional  
18 commitments whenever the account balance falls below  
19 \$400,000,000."

20           SECTION 14. Section 431P-7, Hawaii Revised Statutes, is  
21 amended by amending subsection (c) to read as follows:



- 1       "(c) The plan of operation [~~shall~~]:
- 2       (1) [~~Establish~~] Shall establish procedures for performance  
3       of all powers and duties of the fund;
- 4       (2) [~~Establish~~] Shall establish procedures for providing  
5       notice to all persons with interests insurable by the  
6       fund in the State of the type of insurance available  
7       from the fund [~~in the event~~] if the fund offers  
8       insurance;
- 9       (3) [~~Provide~~] Shall provide for and adopt all necessary  
10      forms, including insurance policies to be used by and  
11      on behalf of the fund, for use by the fund and  
12      servicing facilities;
- 13      (4) [~~Adopt~~] Shall adopt actuarially sound rates, based on  
14      reasonable assumptions relative to expectations of  
15      hurricane frequency and severity, to be charged for  
16      insurance provided by the fund, in accordance with  
17      article 14 of chapter 431;
- 18      (5) [~~Publish~~] Shall publish manuals of rules, rates, and  
19      rating and classification plans, which shall address  
20      mandatory deductibles, limits of coverage, and the  
21      classification of risks and rate modifications based



- 1 on the exposure of insureds[?], subject to the  
2 approval of the commissioner;
- 3 (6) [~~Establish~~] Shall establish procedures for receiving  
4 and servicing applications to the fund;
- 5 (7) [~~Establish~~] Shall establish procedures for processing  
6 and maintaining records of the fund relating to its  
7 financial transactions, its agents, its employees, its  
8 operations, and all transactions with any servicing  
9 facility;
- 10 (8) [~~Establish~~] Shall establish procedures for the  
11 collection and remittance of the premiums and return  
12 of unearned premiums where applicable;
- 13 (9) [~~Establish~~] Shall establish procedures for the payment  
14 of valid claims;
- 15 (10) [~~Establish~~] Shall establish procedures for prorating  
16 available funds pursuant to section 431P-15;
- 17 (11) [~~Establish~~] Shall establish procedures for obtaining  
18 reinsurance;
- 19 (12) [~~Establish~~] Shall establish procedures to borrow  
20 funds; [~~and~~]



1           (13) ~~[Develop]~~ Shall develop a plan for the investment of  
2           moneys held by the fund ~~[subject to the limitations in~~  
3           ~~article 6 of chapter 431.]~~;

4           (14) Shall require, prior to issuance or renewal of  
5           coverage, the applicant for condominium insurance  
6           coverage or renewal to:

7           (A) Cause to be completed an inspection of the  
8           applicable condominium; provided that the  
9           inspection shall be consistent with any  
10           inspection and reporting standards established by  
11           the board and incorporated into the plan of  
12           operation; and

13           (B) Satisfy any relevant requirements established by  
14           the board and incorporated into the plan of  
15           operation; and

16           (15) May prohibit coverage under this chapter for any  
17           high-rise condominium for which the fund or its  
18           servicing entities or any agents thereof have  
19           identified maintenance issues materially affecting the  
20           insurability of the high-rise condominium for  
21           hurricane property insurance."



1 SECTION 15. Section 431P-10, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 **"§431P-10 Coverage available from the fund; deductible.**

4 ~~[(a) Policies]~~ Coverage limits and deductibles for policies  
5 issued by the fund covering eligible property shall ~~[provide a~~  
6 ~~maximum aggregate coverage of up to \$750,000 per risk on real~~  
7 ~~property of one to four units used for residential purposes and~~  
8 ~~\$500,000 per risk for real property used for business,~~  
9 ~~commercial, or industrial purposes and shall provide for a~~  
10 ~~mandatory deductible. The deductible amount for residential~~  
11 ~~property policies shall be the greater of \$1,000 or one per cent~~  
12 ~~of the insured value or the greater of \$2,000 or two per cent of~~  
13 ~~the insured value; provided that the board may establish higher~~  
14 ~~deductible limits. The deductible amount for commercial~~  
15 ~~property policies shall be the greater of \$5,000 or five per~~  
16 ~~cent of the insured value or an amount equivalent to all the~~  
17 ~~other perils deductible of the companion policy; provided that~~  
18 ~~the board may establish higher deductible limits.~~

19 ~~(b) Insurers seeking to provide multi-peril coverage for~~  
20 ~~residential property, including multi-peril coverage of the~~  
21 ~~hurricane peril, subject to the fund's program for incentives~~



1 ~~and credits, shall submit to the commissioner a written request~~  
2 ~~for permission to write the coverage; provided that in the~~  
3 ~~absence of such authorization, no other policy of residential~~  
4 ~~property insurance or endorsement to a policy of residential~~  
5 ~~property insurance on eligible residential property located in~~  
6 ~~this State shall be issued to provide insurance for damages or~~  
7 ~~losses caused by a covered event if such coverage is less than~~  
8 ~~that offered by the fund. If multi-peril coverage on commercial~~  
9 ~~property is no longer being offered by the fund, any multi-peril~~  
10 ~~coverage on commercial property offered by an insurer shall~~  
11 ~~qualify as a comparable coverage under section 431P-5(b)(8)(A).~~  
12 ~~Multi-peril coverage on residential property which [includes]~~  
13 ~~coverage for hurricane losses offered by an insurer shall~~  
14 ~~qualify as a comparable coverage under section 431P-5(b)(8)(A).]~~  
15 be established in the plan of operation, subject to approval by  
16 the commissioner."

17 SECTION 16. Section 431P-11, Hawaii Revised Statutes, is  
18 amended by amending subsection (b) to read as follows:

19 "(b) [The] Except for:



1       (1) Applicants who are otherwise able to procure hurricane  
2       property insurance from insurers authorized to  
3       transact business in the State; and  
4       (2) Properties that are deemed ineligible pursuant to the  
5       plan of operation,  
6 the fund shall not deny any application for hurricane property  
7 insurance on any property eligible under subsection (a)."

8       SECTION 17. Section 431P-16, Hawaii Revised Statutes, is  
9 amended to read as follows:

10       "**§431P-16 Establishment of trust funds.** (a) The fund  
11 shall establish outside the state treasury a hurricane reserve  
12 trust fund and any accounts thereunder and any other trust fund  
13 or account necessary to carry out the purposes of this chapter.  
14 Moneys deposited in the hurricane reserve trust fund and any  
15 accounts thereunder or any other trust fund or account shall be  
16 held by the fund, as trustee, in a depository as defined in  
17 section 38-1 or according to a similar arrangement at the  
18 discretion of the board, including, but not limited to, trust or  
19 custodial accounts created for the benefit of the fund's secured  
20 parties under contractual claims financing arrangements. These  
21 moneys may be invested and reinvested in accordance with the





1 plan of operation. Disbursements from the trust funds shall not  
2 be subject to chapter 103D and shall be made in accordance with  
3 procedures adopted by the board.

4 ~~[(b) The hurricane reserve trust fund shall receive~~  
5 ~~deposits of the special mortgage recording fee established by~~  
6 ~~this chapter. Except as determined by board order, the special~~  
7 ~~mortgage recording fee shall be imposed on each mortgage and~~  
8 ~~each amendment to a mortgage which, in each case, increases the~~  
9 ~~principal amount of the secured debt and which is recorded in~~  
10 ~~the bureau of conveyances of the State under chapter 502 or~~  
11 ~~filed with the assistant registrar of the land court of the~~  
12 ~~State under chapter 501.~~

13 ~~The special mortgage recording fee shall be an amount equal~~  
14 ~~to one-tenth of one per cent of the stated principal amount of~~  
15 ~~the debt secured by the mortgage or, in the case of an amendment~~  
16 ~~or refinancing of a mortgage, an amount equal to one-tenth of~~  
17 ~~one per cent of the amount of the increase of the stated~~  
18 ~~principal amount of the secured debt; provided that the board~~  
19 ~~may establish a lower special mortgage recording fee amount~~  
20 ~~pursuant to section 431P-5(b)(14). With respect to an open end~~  
21 ~~revolving loan, the principal amount of the debt on which the~~



~~1 special mortgage recording fee is calculated shall be the  
2 maximum amount which may be outstanding under the loan at any  
3 one time. With respect to a mortgage securing a nonmonetary or  
4 inchoate obligation, the principal amount of the debt on which  
5 the special mortgage recording fee is calculated shall be the  
6 monetary amount which the mortgagee attributes to the  
7 obligation. If the debt is stated in a foreign currency, it  
8 shall be converted to U.S. dollars using an exchange rate  
9 published in a newspaper of general circulation in this State  
10 within one week prior to recordation of the mortgage or  
11 amendment of mortgage.~~

~~12 The special mortgage recording fee shall be in addition to  
13 any applicable fees under chapter 501 or 502. The special  
14 mortgage recording fee shall be submitted to and collected by  
15 the bureau of conveyances or the assistant registrar of the land  
16 court of the State and shall be deposited into the hurricane  
17 reserve trust fund. The special mortgage recording fee shall be  
18 submitted at the time the mortgage or amendment of mortgage is  
19 recorded together with any related forms or certifications  
20 required by the bureau of conveyances or the assistant registrar  
21 of the land court of the State.~~



1       ~~(e)~~ (b) The Hawaii hurricane relief fund ~~[shall]~~ may  
2 implement the assessments of all property and casualty insurers  
3 ~~[as]~~ authorized by section 431P-5(b)(8)(A) and (B) and the  
4 proceeds from the assessments shall be deposited into the  
5 hurricane reserve trust fund or into trust or custodial  
6 accounts, created for the benefit of the fund's secured parties,  
7 that are held inside or outside the hurricane reserve trust  
8 fund~~[-]~~; provided that after December 31, 2025, all proceeds  
9 realized from the collection of the assessments shall be  
10 deposited into a separate trust account within the hurricane  
11 reserve trust fund.

12       Property and casualty insurers shall annually recoup  
13 assessments paid pursuant to section 431P-A.

14       ~~(d)~~ (c) If the Hawaii hurricane relief fund offers to  
15 issue policies of hurricane property insurance, the premiums for  
16 the policies shall be deposited into the hurricane reserve trust  
17 fund.

18       ~~(e)~~ (d) After each covered event, if the board  
19 determines that the moneys in the hurricane reserve trust fund,  
20 excluding moneys determined by the board to be needed to  
21 continue fund operations following the covered event, will be



1 insufficient to pay claims and other obligations of the fund  
2 arising out of that covered event, the Hawaii hurricane relief  
3 fund shall levy a surcharge not to exceed seven and one-half per  
4 cent a year on premiums charged for all property and casualty  
5 insurance policies issued for risks insured in this State.  
6 These moneys may be deposited into the hurricane reserve trust  
7 fund or into trust or custodial accounts created for the benefit  
8 of the fund's secured parties that are held inside or outside  
9 the hurricane reserve trust fund. The surcharge shall remain in  
10 effect until all claims and other obligations of the fund,  
11 including but not limited to claims under fund policies of  
12 hurricane property insurance, claims financing transactions,  
13 bonds, notes, and other obligations arising out of that covered  
14 event have been fully discharged. The amount and reason for any  
15 surcharge made pursuant to this subsection shall be separately  
16 stated on any billing sent to an insured. The surcharge shall  
17 not be considered premiums for any other purpose including the  
18 computation of gross premium tax or the determination of  
19 producers' commissions. The fund may establish procedures for  
20 insurers to collect the surcharge from customers who hold  
21 property or casualty policies.



1           ~~[(f)]~~ (e) Any proceeds, experience refunds, or other  
2 return funds under reinsurance shall be deposited into the  
3 hurricane reserve trust fund.

4           ~~[(g)]~~ (f) Any proceeds from loans or other moneys from the  
5 federal government, any proceeds from bonds issued pursuant to  
6 this chapter loaned by the director to the Hawaii hurricane  
7 relief fund, any revenues derived from the temporary recording  
8 fee pursuant to section 431P-B, and other moneys as the State  
9 may make available from time to time shall be deposited into  
10 separate accounts of the hurricane reserve trust fund.

11           ~~[(h)]~~ (g) Moneys in the hurricane reserve trust fund or in  
12 trust or custodial accounts, created for the benefit of the  
13 fund's secured parties, shall be expended by the Hawaii  
14 hurricane relief fund or its authorized designee and used solely  
15 for the purposes of this chapter.

16           ~~[(i)]~~ (h) Moneys in the hurricane reserve trust fund may  
17 be disbursed upon dissolution of the Hawaii hurricane relief  
18 fund; provided that:

19           (1) The net moneys in the hurricane reserve trust fund  
20               shall revert to the state general fund after payments  
21               by the fund on behalf of licensed property and



1           casualty insurers or the State that are required to be  
2           made pursuant to any federal disaster insurance  
3           program enacted to provide insurance or reinsurance  
4           for hurricane risks are completed; and

5           (2) If [~~such~~] the moneys are paid on behalf of licensed  
6           property and casualty insurers, payment shall be made  
7           in proportion to the premiums from policies of  
8           hurricane property insurance serviced by the insurers  
9           in the twelve months prior to dissolution of the  
10          fund[+]

11 ~~provided that all interest earned from the principal in the~~  
12 ~~hurricane reserve trust fund shall be transferred and deposited~~  
13 ~~into the general fund each year that the hurricane reserve trust~~  
14 ~~fund remains in existence]."~~

15           SECTION 18. Section 501-23.5, Hawaii Revised Statutes, is  
16 amended to read as follows:

17           "**§501-23.5 Disposition of fees received at the bureau of**  
18 **conveyances.** Notwithstanding any other law to the contrary, of  
19 the fees received at the bureau of conveyances, the registrar of  
20 conveyances shall deposit to the credit of the state general  
21 fund \$18 for each document recorded and shall deposit the



1 remaining balance and all fees other than the [~~special mortgage~~  
2 ~~recording fee established pursuant to section 431P-16~~] temporary  
3 recording fee established pursuant to section 431P-B and  
4 conveyance tax collected pursuant to section 247-1 to the credit  
5 of the bureau of conveyances special fund established under  
6 section 502-8."

7 SECTION 19. Section 502-25, Hawaii Revised Statutes, is  
8 amended by amending subsection (b) to read as follows:

9 "(b) Notwithstanding any other law to the contrary, of the  
10 fees received at the bureau of conveyances, the registrar of  
11 conveyances shall deposit to the credit of the state general  
12 fund \$18 for each document recorded and shall deposit the  
13 remaining balance and all fees other than the [~~special mortgage~~  
14 ~~recording fee established pursuant to section 431P-16~~] temporary  
15 recording fee established pursuant to section 431P-B and  
16 conveyance tax collected pursuant to section 247-1 to the credit  
17 of the bureau of conveyances special fund established under  
18 section 502-8."

19 PART IV

20 SECTION 20. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$ or so







- 1 (1) Recommendations for capitalizing the Hawaii property  
2 insurance association and Hawaii hurricane relief  
3 fund;
- 4 (2) Recommendations for monitoring the stability of the  
5 property insurance market in the State;
- 6 (3) A determination of the efficacy of the changes  
7 implemented pursuant to this Act;
- 8 (4) An evaluation of the feasibility of establishing a  
9 mutual or captive insurance model to address the  
10 affordability and availability of property insurance  
11 in the State, including solutions to address the needs  
12 of condominium associations and individual residential  
13 condominium property owners;
- 14 (5) Recommendations on a mechanism to ensure that  
15 condominium properties are maintained and repaired in  
16 a timely manner to ensure that the condominium  
17 properties remain in insurable condition; and
- 18 (6) An analysis of regulatory reforms that could be  
19 implemented by the insurance commissioner to assist  
20 insurers in competing in the marketplace and



1 developing new insurance products for the benefit of  
2 consumers.

3 (b) The insurance commissioner shall submit reports of the  
4 insurance commissioner's findings and recommendations, including  
5 any proposed legislation, to the legislature no later than  
6 twenty days prior to the convening of the regular sessions of  
7 2026 and 2027.

8 SECTION 22. There is appropriated out of the general  
9 revenues of the State of Hawaii the sum of \$ or so  
10 much thereof as may be necessary for fiscal year 2025-2026 for  
11 the insurance commissioner to conduct a study pursuant to this  
12 part.

13 The sum appropriated shall be expended by the insurance  
14 division of the department of commerce and consumer affairs for  
15 the purposes of this part.

16 PART VI

17 SECTION 23. In codifying the new sections added by section  
18 8, and referenced in sections 17, 18, and 19 of this Act, the  
19 revisor of statutes shall substitute appropriate section numbers  
20 for the letters used in designating the new sections in this  
21 Act.



1 SECTION 24. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 25. This Act shall take effect on July 1, 2050.



**Report Title:**

HPIA; HHRF; Property Insurance; Hurricane; Condominiums;  
Expressions of Interest; Servicing Facility; Domestic Insurers;  
Reports; Appropriations

**Description:**

Expands the powers of the Hawaii Property Insurance Association and reactivates the Hawaii Hurricane Relief Fund to help to stabilize the property insurance market in the State. Allows the Hawaii Property Insurance Association and the Hawaii Hurricane Relief Fund to contract with domestic private insurers to act as a servicing facility to provide affordable coverage options for property owners who meet certain requirements. Requires the Insurance Commissioner to conduct a study to develop long-term solutions to stabilize the property insurance market in the State. Requires reports to the Legislature. Appropriates funds. Effective 7/1/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

