

# CONDO INSURANCE FAQ's

The Department of Commerce & Consumer Affairs' Hawai'i Insurance Division (HID) has compiled the questions we most frequently receive about condominium insurance. Please contact us if we can assist you further.



## Why is my condo insurance increasing?

Insurance rates in general have been increasing over the last several years, with multiple contributing factors:

- Increases in the severity and number of natural disasters: Hawai'i is vulnerable to natural disasters such as hurricanes, lava flows, floods, and wildfires. These events often lead to substantial insurance claims, causing insurers to increase premiums to cover potential future losses, as well as adjust their risk models and pricing strategies accordingly.
- Economic conditions: The cost of materials and labor has been increasing and will go up even more with imposed tariffs. As repair and replacement costs increase, insurers face higher payouts for claims, which they pass on to policyholders in the form of increased premiums.
- Insurance market dynamics: Hawai'i is currently experiencing what is known as a "hard" market, where insurers impose stricter underwriting criteria and higher premiums to mitigate risk after a region sustains a series of costly natural disasters. Additionally, reinsurance, which is insurance for insurers, has become more expensive after significant losses, further contributing to the rise in premiums. Due to this hard market, condo associations are faced with the challenge of limited insurance options as only a few authorized insurers are offering master policies in Hawai'i. Plus, because they want to minimize their risk, they often cover just 20-30% or less of a building's hurricane exposure. This forces associations to use surplus lines insurers to cover the rest of the building's hurricane exposure, at higher rates. The HID is not authorized to regulate the rates charged by surplus lines insurers. All of these factors have contributed significantly to the increase in condo premiums.
- Deferred maintenance: Many older buildings have not kept up with maintenance and are now experiencing either actual damage or higher premiums due to the likelihood of future damage. Like the cost of retrofitting a fire-sprinkler system for buildings that don't already have one, or repairing water damage caused by old pipes, the costs may be passed down to residents through special assessments.

## What steps can condo associations take to protect themselves and their members from rising insurance costs?

Here are some best practices for condo associations:

- Risk management strategies: Implement measures to mitigate risks, such as regular maintenance, safety inspections, and disaster preparedness plans.
- Reserve funds: Establish and maintain adequate reserve funds to cover unexpected expenses.
- Transparency and communication: Keep members informed about insurance issues and involve them in decision-making processes.

## **My building keeps assessing me and my maintenance fee keeps increasing as well. What's going on?**

Many condo buildings in Hawai'i were built in the 1970s and 1980s, which means they are more than 40 years old now and the useful life of many components is over. These may include pipes throughout the building, windows, concrete spalling, decks, railings, and more. Although some repairs can be covered by your reserve fund, the cost today of replacing these components may be more than was estimated. This could be one reason for an assessment and/or increase in maintenance fees.

In addition to increased costs for maintenance and repairs, unforeseen costs may also be a reason for an assessment and/or increase in maintenance fees. Some unforeseen costs could be litigation by unit owners against the board of directors, a larger than anticipated increase in an operational expense like insurance, or higher costs for building materials, supplies, and labor.

## **My building is in the process of re-piping the entire building and has already done exterior spalling work. Will this lower my insurance costs?**

After the work is completed, your board of directors may want to meet with your insurance agent to show them the type of work done. Any updating should make your building more attractive to insurers and thus result in a better insurance rate than before the repairs.

## **My condo master policy was non-renewed and now the policy costs 10 times more than it used to. Why? What happens if I cannot pay my increased maintenance fee and/or assessment for this increase?**

There are only three insurers in Hawai'i in the admitted or voluntary insurance market that place insurance on condo buildings. "Admitted" or "voluntary" means they are licensed to do business in the State and regulated by the State of Hawai'i. If an insurer in this market non-renews your building, you may need several excess or surplus lines insurers to write the coverage. Excess and surplus lines insurers are not licensed by the State of Hawai'i and the Hawai'i State Insurance Commissioner has no rate authority over those insurers, so they can charge more for coverage than no other insurer is willing to write.

One of the reasons your building's master policy may have been non-renewed may be due to frequent insured losses in your building due to aging water pipes and sewage systems. Proper upkeep and replacement of common elements like water and sewage systems may avoid excess insured losses which in turn reduces the risk of non-renewal and insurance increases.

If a building has a sudden and unbudgeted expense, often the association will increase maintenance fees, impose an assessment on each unit owner, or both. The consequences of not paying these fees are outlined in your condo's governing documents.

## My condo master policy has coverage for \$10 million in hurricane insurance but the building is worth \$100 million. Why is having a gap of \$90 million in coverage an issue?

Government-sponsored enterprises Fannie Mae and Freddie Mac require full building coverage for certain insurance risks, including hurricane. If there is less than 100% coverage, they will not purchase mortgages from primary lenders. Because primary lenders sell 70% of their mortgages to Fannie Mae and Freddie Mac, if units requiring a mortgage cannot be sold on the secondary market, the entire building may lose value as future sales may be limited to cash buyers. The condo association's board of directors also has a fiduciary responsibility to all the owners in the building to protect their asset.

## What is the State doing to address the property insurance crisis?

- Governor and legislative action: Recognizing the crisis affecting Hawai'i and its residents, Governor Green convened a Joint Executive and Legislative Condo and Property Insurance Task Force in 2024, comprised of legislators and experts representing the insurance, mortgage lending and real estate industries. The task force presented a "White Paper" containing its analysis and recommendations, which were taken into consideration by the Hawai'i State Legislature and decision makers in the 2025 session. Hawai'i Senate Bill 1044 SD2 HD2 CD1, enacted during the 2025 legislative session, represents a significant initiative to stabilize the State's property insurance market, particularly in response to escalating premiums and limited coverage options for condominium associations.
- HHRF and HPIA: The bill enhances the powers of the Hawai'i Property Insurance Association (HPIA) and reactivates the Hawai'i Hurricane Relief Fund (HHRF). These entities are now authorized to provide insurance coverage in scenarios where the private market fails to do so, particularly for condominiums and other residential properties. This expansion ensures that residents have a safety net when traditional insurers withdraw from high-risk areas. The HHRF will expand hurricane coverage capacity, while the HPIA will provide additional insurance coverage for all other perils. The goal is to reduce overall insurance costs and, over time, stabilize the market for condominium associations. Both the HHRF and HPIA are preparing to become operational and HHRF targets mid-June 2025 to begin accepting applications. Associations will need to work with their insurance agents to purchase the respective coverages when they become available.
- Support for condominium associations: Senate Bill 1044 also establishes the Condominium Loan Program. Administered by the Hawai'i Green Infrastructure Authority, this program will offer financial assistance for essential repairs and deferred maintenance, helping buildings remain insurable and compliant with lending standards.
- C-PACER loans: In 2024, the Legislature passed a law allowing C-PACER loans through the Department of Business, Economic Development, and Tourism to be used by condominium associations for resilience repairs and replacement. These types of loans may be used for the installation of fire sprinklers within units, re-piping of the building, and even installing photovoltaic panels to the building. These loans provide a longer payback period and may provide a lower than market loan interest rate, so could be an option for your association.
- Rate review processes: The Hawai'i Insurance Division has stringent rate review processes to ensure that any proposed premium increases by licensed insurance companies are justified. It continues to closely monitor the insurance industry and remains committed to ensuring Hawai'i's insurance market remains robust and that consumers continue to have access to reliable coverage.

## What resources are available for condo unit owners needing assistance understanding their insurance options and rights?

- Hawai'i licensed insurance producers: Your insurance agent can explain the different types of policies available, including what each covers, and coverage levels, plus provide advice tailored to your specific needs. They can also educate you on insurance rights, the claims process, available discounts, and advocate on your behalf. The important thing is to stay in touch with your agent. Producers often offer annual policy reviews to ensure that coverage remains adequate and up to date with any changes in the property owner's circumstances.
- Hawai'i Real Estate Branch: The Real Estate Branch assists the Real Estate Commission in carrying out its responsibility for the education, licensure and discipline of real estate licensees; registration of condominium projects, condominium associations, condominium managing agents, and condominium hotel operators; and intervening in court cases involving the real estate recovery fund. They can be reached at [hirec@dcca.hawaii.gov](mailto:hirec@dcca.hawaii.gov) or 808-586-2643.
- Hawai'i Insurance Division: The HID is available to answer general inquiries and investigate complaints filed by consumers and can be reached at [insurance@dcca.hawaii.gov](mailto:insurance@dcca.hawaii.gov) or 808-586-2790. Several publications and resources are available on the division website at <https://cca.hawaii.gov/ins/resources/>, including premium comparison sheets for homeowners, condominium, renters, and motor vehicle insurance.

## What is the long-term outlook for property insurance in Hawai'i?

The long-term outlook for property insurance in Hawai'i is shaped by many complex factors. Challenges such as climate change and market stability pose significant risks, but advancements in technology and proactive measures by both lawmakers and homeowners can help mitigate these risks and ensure the availability of affordable property insurance in the future.