



Hawaii Condominium Bulletin

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The Changing Landscape of Property Insurance in Hawaii

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Since the new year, the insurance market in Hawaii has been in a state of turmoil. We are in a Hard Market where insurance companies have stricter underwriting guidelines and offer less-desirable terms with higher premiums. **What is going on?**

Disasters & Global Reinsurance Costs

In the last several years there has been a spike in large natural disaster claims across the country and around the world. Between 1980 and 2023 there was an average of 8.5 events per year that caused over \$1 billion of damage in the United States (adjusted for inflation). In the most recent 5 years (2019-2023) the average number of Billion Dollar Disasters increased to an average of 20.4 per year. In the last two years alone there have been 46 large events that caused approximately \$271 billion in damage. These disasters as well as others around the world like wildfires in Australia, flooding in Germany and the recent earthquake and tsunami in Japan have caused global reinsurance rates to increase significantly to cover these claims.

What is Reinsurance?

In simple terms, reinsurance is insurance for insurance companies. They purchase reinsurance to enable them to cover catastrophic claims such as hurricanes, floods, and wildfires. Largely due to natural disasters around the world and close to home, reinsurers have been losing money and must raise rates to stay solvent. Of the 50 largest reinsurance groups, 17 of top 50 reinsurers had combined ratios over 100% in 2022. This means they were paying more in losses and expenses than their earned premiums before the disasters of 2023, including the Lahaina wildfire.

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Message from the Chair

Aloha,

Summer is here in Hawaii and temperatures are not the only thing rising. The increasing cost of property insurance has been the hot topic. Inside this month's bulletin, you'll find long time insurance professional, Surita Savio, discussing the spiraling costs of property insurance, suggestions for prospective purchasers in our Akamai Buyer article regarding condominium noise, condominium mediation case summaries, and Ask the Condo Specialist's take on how to restart enforcing dormant rules and short-notice association meetings.

Keep up with the current condo news, issues, legislative action affecting condos, and educational events being held for the condo community by signing up for the Commission's quarterly email subscription service. Sign up is available at the following link: <http://cca.hawaii.gov/reb/subscribe>. By signing up you'll get the latest news for the condo community emailed directly to your inbox. The emails are also posted at the Real Estate Branch website.

To view any of our short and informative educational videos on various aspects of condo living, click the link here <https://cca.hawaii.gov/reb/hawaii-condo-living-guide/>.

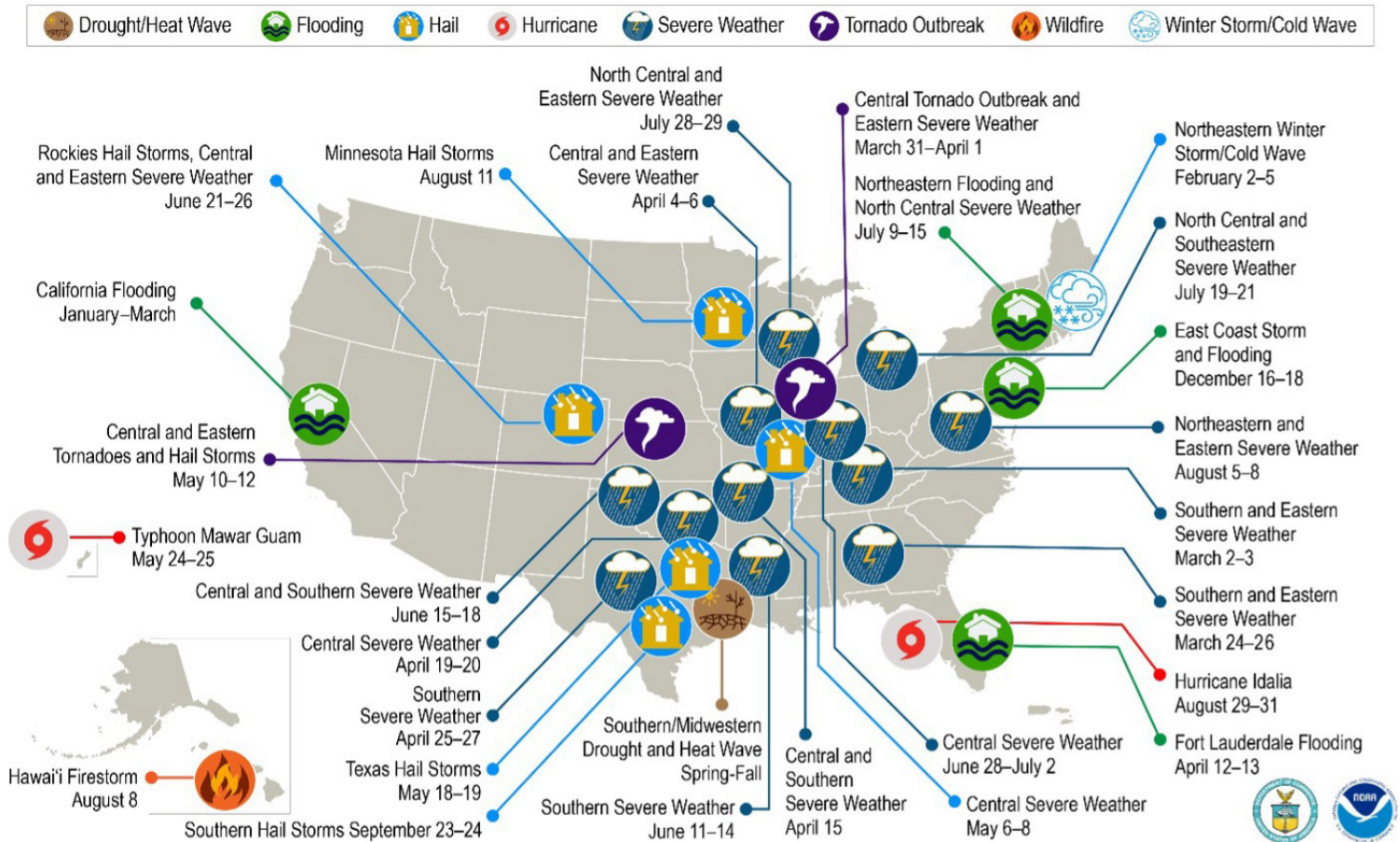
A calendar of our meetings for 2024 is also included inside. All are welcome to attend any of the monthly meetings which are now held in-person, primarily in the Queen Liliuokalani Conference Room of the King Kalakaua Building, 335 Merchant Street, First Floor. Click the link here https://cca.hawaii.gov/reb/agendas_minutes/ to visit our website to get the upcoming agenda and to review the minutes from prior meetings.

John R. Love
Chair, Condominium Review Committee



The Changing Landscape of Property Insurance in Hawaii (cont. from page 1)

U.S. 2023 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.

Why is Hawaii Being Affected?

Hawaii has a few unique challenges that are not appealing to underwriters. We are at risk of being hit by Hurricanes, and Hawaii is not a very large market—California and Texas each have about 25 times the number of associations compared to Hawaii. Also, Hawaii has a lot of buildings built in the 1960s and 1970s that need updates. Many of these buildings are near the shoreline leading to serious concerns about maintenance and structural integrity after the collapse of a beachfront condo in Florida in 2021. Additionally, until recently most companies did not contemplate the threat of wildfires in Hawaii.

How Hawaii's Insurance Companies are Responding

Every insurance company doing business in Hawaii is reacting to these pressures by increasing rates, offering lower coverage limits with less desirable terms, increasing deductibles, declining to write new business or even non-renewing existing policies. Most condos are seeing renewal premiums increase by 150% to 800% compared to expiring, with most averaging around 400% to 500%. Insurers are looking at location, construction type, loss history and information about building updates and repairs when making these decisions. Additionally, insurance companies are requiring large increases in the estimated replacement cost of buildings due to increased costs for construction materials and labor since 2020.

Limited Options in Hawaii

Currently, Hawaii has only three major standard market insurers for condos. These three companies insure most of the fire-resistive high-rise buildings in the state. Additionally, there are three major insurers covering the majority of Hawaii's wood frame and joisted masonry associations. Most of these companies are not writing new business in 2024, and few insurers are willing to offer more than \$10 million of coverage for each association. Condos are seeing layered insurance renewals involving more than five companies, with some complexes needing more than 15 companies to secure full coverage.

Mediation Case Summaries

From March of 2024 through May of 2024, the following condominium mediations or arbitrations were conducted pursuant to Hawai'i Revised Statutes §§ 514B-161 and 514B-162.5 and subsidized by the Real Estate Commission for registered condominium associations. The Mediation Center of the Pacific conducted additional condominium mediations through the District Courts while mediation providers conducted community outreach in their respective communities.

Dispute Prevention and Resolution, Inc.

Owner vs AOUO	Dispute over the interpretation and violation of bylaws and house rules involving treatment of employees	Mediated, no agreement
Owner vs AOUO	Dispute over the interpretation and violation of declaration and bylaws regarding building repairs and maintenance	Mediated to an agreement
Owner vs AOUO	Dispute over the interpretation and violation of declaration and bylaws regarding disability access, repairs, discrimination, and notice	Mediation, no agreement
Owner vs AOUO	Dispute over the interpretation and violation of bylaws and house rules, alleged retaliation	Mediation, no agreement
Owner vs AOUO	Dispute over special assessment	Mediation in progress
Owner vs AOUO	Dispute over the interpretation and violation of bylaws regarding proxies	Mediation, no agreement
Owner vs AOUO	Dispute over the interpretation and violation of declaration and bylaws regarding common elements, retaliation	Mediation, no agreement
Owner vs AOUO	Dispute over the modification of a unit, retaliation	Mediated to an agreement

Mediation Center of the Pacific

Owner vs AOUO	Dispute over the interpretation and violation of house rules in relation to parking stalls and loading zone	AOUO declined Mediation
Owner vs AOUO	Dispute over the interpretation and violation of bylaws and declaration in relation to renovations and lack of communication	Mediated to an agreement

Big Island Mediation Center

Owner vs AOUO	Dispute over the enforcement of association rules	Mediated to an agreement
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To consult with any of our subsidized private mediation services, contact one of the following providers:

Oahu

Mediation Center of the Pacific, Inc.

1301 Young Street, 2nd Floor
Honolulu, HI 96814
Tel: (808) 521-6767
Fax: (808) 538-1454
Email: mcp@mediatehawaii.org

Maui

Mediation Services of Maui, Inc.

95 Mahalani Street, Suite 25
Wailuku, HI 96793
Tel: (808) 244-5744
Fax: (808) 249-0905
Email: info@mauimmediation.org

West Hawaii

West Hawaii Mediation Center

65-1291 Kawaihae Road, #103B
Kamuela, HI 96743
Tel: (808) 885-5525 (Kamuela)
Tel: (808) 326-2666 (Kona)
Fax: (808) 887-0525
Email: info@whmediation.org

East Hawaii

Ku'ikahi Mediation Center

101 Aupuni St. Ste. 1014 B-2
Hilo, HI 96720
Tel: (808) 935-7844
Fax: (808) 961-9727
Email: info@hawaiiimmediation.org

Kauai

Kauai Economic Opportunity, Inc.

2804 Wehe Road
Lihue, HI 96766
Tel: (808) 245-4077 Ext. 229 or 237
Fax: (808) 245-7476
Email: keo@keoinc.org

Lou Chang, A Law Corporation

Mediator, Arbitrator, Attorney
Member, National Academy of Arbitrators
P.O. Box 61188, Honolulu, Hawaii 96839
Tel: (808) 384-2468
Email: louchang@hula.net
Website: www.louchang.com

Charles W. Crumpton

Crumpton Collaborative Solutions LLLC
Tel: (808) 439-8600
Email: crumpton@chjustice.com
Websites: www.acctm.org; www.nadn.org;
www.accord3.com; and www.mediate.com

Dispute Prevention and Resolution

1003 Bishop Street, Suite 1155
Honolulu, HI 96813
Tel: 523-1234
Website: <http://www.dprhawaii.com/>

Ask the Condominium Specialist

Q: My condo has never or rarely enforced certain rules. How do we start enforcing these rules again without getting in trouble?

A: Selective or never enforced condominium rules can be a minefield for boards. Courts have been historically averse to associations who engage in selective enforcement, or restart enforcement without proper notice to the owners. Condominium rules apply to all owners, their tenants, and guests; and accordingly, boards should absolutely avoid selectively enforcing the rules. The board should notify all owners, preferably in writing, that prior unenforced rules will now be enforced at a specific future starting date.

Associations should also consider why a rule is rarely or never enforced. Sometimes rules become obsolete, and associations should consider updating their documents to create relevant rules as well as complying with requirements for the declaration and bylaws as required under chapter 514B, HRS. The Commission's "[Updating The Governing Documents](#)" brochure may be of assistance in this manner.

Q: My condo's board has been holding special meetings on short or no notice. Is this legal?

A: No. Section 514B-121(d), HRS, explicitly states the following:

(d) Not less than fourteen days in advance of any meeting, the secretary or other officer specified in the bylaws shall cause notice to be:

- (1) Hand-delivered;
- (2) Sent prepaid by United States mail to the mailing address of each unit or to any other mailing address designated in writing by the unit owner; or
- (3) At the option of the unit owner, expressed in writing, by electronic mail to the electronic mailing address designated in writing by the unit owner.

It does not matter if the meeting is the annual meeting or a special meeting held pursuant to section 514B-121(c), HRS. Any meeting described in section 514B-121, HRS, requires at least fourteen days of notice to the unit owners. If a board needs to quickly meet to address a pressing issue, the board should consider scheduling a board meeting, which only requires at least three days' notice, pursuant to section 514B-125(e), HRS. Should your board refuse to comply with the statute, you may apply for [mandatory mediation](#). If your condominium managing agent is dictating the notice requirements that do not comply with the statute, please contact the [Regulated Industries Complaints Office](#) to file a formal complaint against their license.

THE AKAMAI BUYER

What's That Sound?

Does the unit you're interested in come with amenities like tennis courts, pickleball, open air recreational deck, BBQ area, or pool? Are these the reasons you want to live there? Before you make an offer, you may wish to consider the sound impact of the amenities. Prospective buyers should consider the proximity of their unit to these amenities. People in Hawaii tend to enjoy the open window breezy nature of our island chain and thus are more susceptible to the various outdoor noises. Having the sounds of tennis balls hitting rackets at night, endless conversations drifting up from the jacuzzi or open-air recreational equipment bouncing around in the wind at 3 am may be something buyers enraptured with the property haven't stopped to think about. Most buyers are looking for peaceful enjoyment of their properties and thus should consider the level and source of noise.



2024 Real Estate Commission Meeting Schedule

Real Estate Commission – 9:00 a.m.

Friday, June 28, 2024

Friday, July 26, 2024

Friday, August 23, 2024

Friday, September 27, 2024

Friday, October 25, 2024

Friday, November 22, 2024

Friday, December 20, 2024

All Real Estate Committee Meeting items will be discussed at the Real Estate Commission Meetings until further notice. Real Estate Commission Meetings will be held in-person in the Queen Liliuokalani Conference Room of the King Kalakaua Building, 335 Merchant Street, First Floor.

Meeting dates, locations and times are subject to change without notice. Please visit the Commission's website at www.hawaii.gov/hirec or call the Real Estate Commission Office at (808) 586-2643 to confirm the dates, times and locations of the meetings.

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