



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Monday, February 11, 2013
3:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 1443 – RELATING TO THE HAWAII HURRICANE
RELIEF FUND.**

TO THE HONORABLE ANGUS McKELVEY, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
(“Department”). The Department takes no position on this bill, but wishes to offer
comments.

Page 4, lines 13-15 of the bill amends Hawaii Revised Statutes (“HRS”) §431P-2
to state: “For the purposes of participating in the insurance market, the fund shall be
authorized to conduct itself as a private entity.” This language is problematic because it
could threaten the federal tax exempt status of the Hawaii Hurricane Relief Fund
(“HHRF”). The tax-exempt status is based on HHRF being seen as an integral part of
the State government. In addition, we do not believe this language is necessary for
HHRF to carry out its mission, nor is it clear what this language accomplishes as a
practical matter.

We thank this Committee for the opportunity to present testimony on this matter.

HAWAII HURRICANE RELIEF FUND

335 Merchant Street #213

Honolulu, HI 96813

To The House Committee on Consumer Protection and Commerce

Twenty-Seventh Legislature
Regular Session of 2013

Monday, February 11 2013
3:30 p.m.

WRITTEN TESTIMONY ONLY

TESTIMONY ON HOUSE BILL NO. 1443-RELATING TO THE HAWAII
HURRICANE RELIEF FUND

TO THE HONORABLE ANGUS MCKELVEY, CHAIR, AND MEMBERS OF
THE COMMITTEE

My name is Lloyd Lim, acting executive director of the Hawaii Hurricane Relief Fund (“HHRF”). I am testifying on behalf of the HHRF Board of Directors.

HHRF takes no position of HB 1443, but we offer the following comments.

In Section 2 of the bill at page 4, lines 13-15, there is discussion of HHRF acting as private entity. This language could jeopardize the tax exempt status of HHRF which is based on HHRF being seen by the IRS as an integral part of the State of Hawaii. In addition, we do not think this language is necessary to achieve HHRF’s goals.

Section 5 of the bill at page 7 reactivates the special mortgage recording fee. We note that HHRF has no staff and cannot process the fee. Also, please note that this reactivation imposes administrative burdens on the bureau of conveyances.

We thank the Committee for the opportunity to present testimony on this matter.

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Representative Angus L.K. McKelvey, Chair
Representative Derek S.K. Kawakami, Vice Chair

Monday, February 11, 2013
3:30 p.m.

HB 1443

Chair McKelvey, Vice Chair Kawakami, and members of the Committee, my name is Alison Powers, Executive Director of the Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** this bill. This bill authorizes the Hawaii Hurricane Relief Fund (HHRF) to compete with the personal lines hurricane insurance market. This bill also provides HHRF with certain advantages not available to the private market including, funding from state appropriations, funding from the special mortgage recording fee, and politically controlled rates either through a rate reduction or maintaining them at their existing level when the HHRF has secured from the federal government, financial institutions and/or the issuance of revenue bonds in an amount to be determined by the legislators.

The personal lines hurricane insurance market is competitive, and maintains numerous companies providing this coverage where just in the recent past there were only two companies along with the State's HHRF. The average premium in Hawaii in 2010 for homeowners insurance is #17 from the top at \$938 which is quite remarkable considering the high cost of housing in here. Contributing to a healthy marketplace is a robust reinsurance market where capital is available. The Reinsurance Association of

America says in part, "...The January 2013 reinsurance renewals saw ample reinsurance capacity and stable pricing... Despite the historic losses of the last three years, reinsurance catastrophe pricing continues to be significantly below 2006 levels."

This market is healthy and competitive and there is no need for this legislation. We ask that this bill be held. Thank you.