

STAND. COM. REP. NO. 1690

Honolulu, Hawaii

APR 04 2023

RE: S.C.R. No. 48  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.C.R. No. 48 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THAT THE INSURANCE DIVISION OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS CONDUCT A STUDY ANALYZING WHETHER IMPLEMENTATION IN THIS STATE OF LAWS SIMILAR TO MASSACHUSETTS' CAPTIVE INSURANCE LAWS WOULD ADDRESS THIS STATE'S RESIDENTIAL CONDOMINIUM PROPERTY INSURANCE NEEDS,"

begs leave to report as follows:

The purpose and intent of this measure is to request the Insurance Division of the Department of Commerce and Consumer Affairs to conduct a study analyzing whether implementation of a captive insurance system in the State that is modeled after Massachusetts' captive insurance system would adequately and appropriately address the State's residential condominium property insurance needs.

Prior to the hearing on this measure, your Committee posted and made available for public review a proposed S.D. 1, which requests the Department of Commerce and Consumer Affairs to:

- (1) Conduct a survey of the applicable association of apartment owners for each of the three hundred nine condominium properties that are subject to the requirements of Honolulu Ordinances Nos. 19-4 and 22-2



to determine certain information relating to condominium insurance and fire safety measures;

- (2) Compile the information received from the survey responses and submit to the Legislature an interim report containing the compiled information; and
- (3) Submit to the Legislature a final report of its findings and recommendations, including any proposed legislation, regarding the appropriate scope of a study analyzing whether implementation of a captive insurance system in the State that is modeled after the captive insurance system of Massachusetts would adequately and appropriately address the State's residential condominium property insurance needs.

Your Committee received testimony in support of this measure or the proposed S.D. 1 from the Department of Commerce and Consumer Affairs, Hawaii Council of Association of Apartment Owners, and seven individuals. Your Committee received comments on this measure or the proposed S.D. 1 from the Insurance Division of the Department of Commerce and Consumer Affairs, Hui 'Oia'i'o, and one individual.

Your Committee finds that associations of apartment owners throughout the State have faced steep increases in residential condominium property insurance premiums since 2021. The increases are due in part to City and County of Honolulu ordinances Nos. 19-4 and 22-2, which require the installation of automatic fire sprinkler systems in certain residential condominium buildings. Although an association of apartment owners may opt-out of the sprinkler installation requirements if the association of apartment owners pursues other fire safety improvements, insurance rates have escalated sharply for almost all residential condominium properties regardless of whether a condominium property has received an acceptable fire safety score. Massachusetts' approach to captive insurance may provide an alternative to traditional condominium property insurance at a time when insurance offered by major Hawaii insurers is increasingly becoming unaffordable for many homeowners and associations of apartment owners. This measure requests the Department of Commerce and Consumer Affairs to conduct a survey of certain associations of apartment owners and research whether



implementing a captive insurance system similar to Massachusetts could help solve the issue of rising insurance costs in the State.

Your Committee notes the Department of Commerce and Consumer Affairs' willingness to work with relevant stakeholders in an effort to collect the requested survey data in the six-month period requested by this measure.

Your Committee has amended this measure by adopting the proposed S.D. 1, including the amended title of this measure.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee concurs with the intent and purpose of S.C.R. No. 48, as amended herein, and recommends its adoption in the form attached hereto as S.C.R. No. 48, S.D. 1.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,



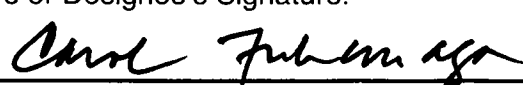
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ARRETT KEOHOKALOLE, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:*	Committee Referral:	Date:		
SCR48	CPN	4/4/23		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312				
<input checked="" type="checkbox"/> Pass, with amendments 2311				
<input type="checkbox"/> Hold 2310				
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton	✓			
<b>TOTAL</b>	5			
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

\*Only one measure per Record of Votes