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January 28, 2009

The Honorable Faye P. Hanohano, Chair
House Committee on Public Safety
State Capitol, Room 309
Honolulu, Hawaii 96813

RE: H.B. 516 Relating to Insurance

Aloha Chair Hanohano, Vice Chair Aquino, and members of the Committee:

On behalf of our 9,600 members in Hawai'i, the Hawai'i Association of REALTORS® (HAR) submits comments.

H.B. 516 repeals requirements that the interest earned on the principal in the Hurricane Reserve Trust Fund be transferred to the General Fund.

HAR believes that the most practical and responsible use of the hurricane relief funds is to use them for the purpose for which they were collected - to protect and provide for the public in the event of a hurricane.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

Hawaii Hurricane Relief Fund

335 Merchant Street #213

Honolulu, HI 96813

Twenty-Fifth Legislature

Regular Session 2009

TESTIMONY BEFORE THE HOUSE COMMITTEE ON PUBLIC SAFETY

Thursday, January 29, 2009

Conference Room 309, 8:30 a.m.

To the Honorable Chair Faye P. Hanohano and the members of the Committee.

My name is Thomas Singlehurst and I am the Chair of the Hawaii Hurricane Relief Fund Board (“HHRF”) of Directors (“Board). I am testifying on behalf of the Board in support of H.B. No. 516, which allows HHRF to retain its interest income instead of transferring it to the general fund.

The HHRF has been dormant since the end of 2002. For eight years prior to that it provided hurricane insurance in Hawaii when private insurers were unwilling to do so. This not only provided lower cost insurance to homeowners than being forced placed in the unregulated surplus lines market, but also enabled the mortgage lending and real estate industries to continue doing business, thus helping the overall economy. The HHRF stands ready to return to the market if another hurricane insurance scarcity arises due to a large hurricane in Hawaii or other catastrophic event worldwide that affects the reinsurance market.

Although we cannot say when the next hurricane will occur, we do know that one will occur. It is a not a question of “if”, but “when”. Hawaii faces a perennial risk of hurricanes.

When the HHRF was operational it had 160,000 policyholders. One model indicated that a worst case loss due to a hurricane striking Oahu might be \$10 billion. As a result, HHRF believes that it is prudent to keep its interest income and build up a reserve over time. HHRF interest is about \$6 million per year, but in 2008 we transferred \$9.6 million. When HHRF is operational we will have funding of between \$1 billion and \$1.5 billion but it would be prudent to have more. If HHRF can build up a big enough reserve over time, it may be able to cut back on the purchase of reinsurance and save money.

We thank this Committee for the opportunity to submit testimony.