

STAND. COM. REP. NO. 456

Honolulu, Hawaii

FEB 20 2015

RE: S.B. No. 589
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 589 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to require the renewal of property insurance but permit insurers to deny renewal for nonpayment of an undisputed premium by a policyholder.

Your Committee received testimony in support of this measure from one individual. Your Committee received testimony in opposition to this measure from the Hawaii Insurers Council. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs.

Your Committee finds that the June 27, 2014, lava flow from the Kilauea volcano has had a significant impact on residents and businesses in the Puna district of Hawaii Island. Part of this impact is due to the imposition of a moratorium on the sale of new insurance policies in certain areas of the Puna district. This moratorium has made it difficult for homeowners wishing to sell their homes to obtain continued insurance coverage and has caused difficulties for interested buyers who wish to purchase insured property. The moratorium has also affected communities in the Puna district not directly threatened by the lava flow. This measure attempts to address these concerns by requiring the renewal of property insurance, with certain exceptions.



However, your Committee has heard testimony that this measure, as written, applies to all property insurers. Your Committee understands that this requirement may discourage certain insurers from writing property insurance or may affect property insurance throughout the State. Amendments to this measure are therefore necessary to address the issues faced by homeowners in areas threatened by a lava flow.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have required every insurer who issues a policy for property insurance to provide for the renewal of property insurance, with specific exceptions;
- (2) Inserting a definition of "lava zone";
- (3) Specifying the total number of property insurance policies that an insurer may non-renew in a lava zone during a state of emergency due to lava flow in that lava zone, with specific exceptions;
- (4) Specifying that if residential property insurance is unavailable due to a moratorium on insurance policies in a lava zone during a state of emergency due to lava flow, the Hawaii Property Insurance Association shall remove its moratorium and permitting the association to issue new policies and provide a six-month waiting period for the policy coverage to take effect after the moratorium is removed;
- (5) Inserting a purpose section; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

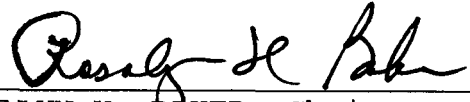
Your Committee notes that this amended measure is the result of an agreement with interested stakeholders. Your Committee also notes that once this measure is enacted, the Hawaii Property Insurance Association will lift the moratorium currently in place for the Puna district on Hawaii Island.

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 is in accord with the intent and



purpose of S.B. No. 589, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 589, S.D. 1, and be referred to the Committee on Judiciary and Labor.

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



ROSALYN H. BAKER, Chair



