May 5, 2015

The Honorable Ronald D. Kouchi,  
President  
and Members of the Senate  
Twenty-Eighth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai’i 96813

The Honorable Joseph M. Souki,  
Speaker and Members of the  
House of Representatives  
Twenty-Eighth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai’i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on May 5, 2015, the following bill was signed into law:

SB589 SD2 HD2 RELATING TO INSURANCE  
ACT 032 (15)

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai’i
A BILL FOR AN ACT

RELATING TO INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that residents and businesses in the Puna district on the island of Hawaii have been severely impacted by the June 27, 2014, Puu Oo lava flow. Part of the impact is due to the imposition of a moratorium on the sale of new insurance policies in certain areas in the Puna district.

Accordingly, the purpose of this Act is to allow some homeowners who have had continuous insurance in lava zone areas that the mayor of the county of Hawaii has declared to be in a state of emergency to:

(1) Have those insurance policies renewed;
(2) Provide for continued insurance coverage for homeowners who wish to sell their homes;
(3) Provide the opportunity for insurance coverage for new buyers of an insured property; and
(4) Allow a homeowner who had no prior insurance to purchase insurance coverage from the Hawaii Property

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Insurance Association, with the effective date of the coverage being no longer than six months from the date of the offer.

The legislature notes that upon this Act's enactment, the Hawaii Property Insurance Association will lift its moratorium.

SECTION 2. Chapter 431, Hawaii Revised Statutes, is amended by adding two new sections to article 10E to be appropriately designated and to read as follows:

"§431:10E—Lava zone defined. As used in this article, "lava zone" means a volcanic hazard zone identified by the United States Geological Survey on the island of Hawaii.

§431:10E—Provisions for properties in lava zones in the county of Hawaii. (a) Where the mayor of the county of Hawaii has issued a proclamation declaring the existence of a state of emergency due to the threat of imminent disaster from a lava flow in a lava zone, the total number (rounded to the nearest whole number) of property insurance policies that an insurer may non-renew in a lava zone shall be limited for each calendar year to five per cent of the total number of covered policies of the insurer in force in that lava zone.
(b) Notwithstanding subsection (a), an insurer may cancel or non-renew a property insurance policy where:

(1) Premium payments for the policy are not made after reasonable demand therefor; or

(2) The commissioner determines the financial soundness of the insurer would be impaired."

SECTION 3. Chapter 431, Hawaii Revised Statutes, is amended by adding a new section to article 21 to be appropriately designated and to read as follows:

"§431:21- Issuance of new policies; removal of moratorium. If residential property insurance is unavailable due to a moratorium on the issuance of policies on property situated in lava zones where the mayor of the county of Hawaii has issued a proclamation declaring a state of emergency exists due to the threat of imminent disaster from a lava flow, the association shall remove its moratorium. Upon the moratorium's removal, the association shall offer new policies and may provide a waiting period of no longer than six months for the policy coverage to take effect; provided that the residential property in the lava zone does not have current insurance."