A BILL FOR AN ACT

RELATING TO INSURANCE.

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

SECTION 1. Chapter 431, Hawaii Revised Statutes, is amended by adding a new article to be appropriately designated and to read as follows:

"ARTICLE

GLOBAL WARMING OR EROSION INSURANCE RESERVE

§431: -A Short title. This article shall be known and may be cited as the Hawaii global warming and erosion insurance reserve act.

§431: -B Purpose. The purpose of this article is to require authorized property insurers to establish reserve funds out of premiums of policies covering risks located or resident in this State. The reserve fund shall be used to pay for losses resulting from certain environmental events occurring along shoreline property in the State.

§431: -C Definitions. As used in this article, unless the context shall otherwise require:
"Authorized reinsurance" means reinsurance from a licensed, accredited, certified, or trustee reinsurer in this State.

"Environmental event" means:

(1) An event associated with global warming, erosion, or both; and

(2) Covered losses related to global warming, erosion, or both.

"Hawaii mandatory global warming and erosion reserve" or "reserve" means the separate contingent liability account established pursuant to section 431: -E.

"Hawaii subject premiums" means premiums related to property risks located or resident in this State with respect to the kinds of property insurance, as specified in section 431:1-206, that are written on a direct basis.

"Property insurance" shall have the same meaning as in section 431:1-206.

"Property insurer" means an insurer licensed to transact property insurance.

"Qualifying losses" means losses and loss adjustment expenses incurred, net of authorized reinsurance, which are
directly attributable to an environmental event in this State
and which occur along the State's shoreline areas.

§431: -D Hawaii mandatory global warming and erosion
reserve branch; establishment. There is established the global
warming and erosion reserve branch within the insurance division
of the department of commerce and consumer affairs. The purpose
of the branch shall be to administer the Hawaii mandatory global
warming and erosion reserve, as required pursuant to this
article.

§431: -E Hawaii mandatory global warming and erosion
reserve. Every authorized property insurer issuing a policy of
insurance or contract of reinsurance covering losses resulting
from an environmental event for property risks located or
resident in this State shall establish a Hawaii mandatory global
warming and erosion reserve, which shall be used to fund the
payment of claims resulting from qualifying losses.

§431: -F Annual contribution to the Hawaii mandatory
global warming and erosion reserve. (a) No later than July 1
of every year, every property insurer that covers losses
resulting from an environmental event shall fund its mandatory
global warming and erosion reserve for the previous calendar
year in an amount to be determined by the commissioner by rule and based on the aggregate environmental event load included in the premium of policies covering property risks located or resident in this State with respect to the kinds of insurance specified in section 431:1-206. The reserve liability so established shall be net of any authorized reinsurance ceded and federal, state, and local tax incurred on any reserves.

(b) Notwithstanding subsection (a), an insurer need not fund its Hawaii mandatory global warming and erosion reserve with respect to assumed reinsurance premiums in excess of loss reinsurance contracts or treaties.

§431: -G Accumulation of the Hawaii mandatory global warming and erosion reserve. The Hawaii mandatory global warming and erosion reserve may have a rolling term of ten years. At the end of the tenth year, the first year's contribution, to the extent it is not used to fund environmental event losses, shall be taken into income, and the following year's contribution shall be added to the reserve.

§431: -H Transfers from the Hawaii mandatory global warming and erosion reserve. (a) A property insurer shall release its Hawaii mandatory global warming and erosion reserve
when it incurs qualifying losses. Within thirty days of releasing the funds from the Hawaii mandatory global warming and erosion reserve, a property insurer shall provide the commissioner with written notice of such release. The notice shall be in a form specified by the commissioner and show the amount and calculation of the release and the environmental event that necessitated the release.

(b) A property insurer shall return to the Hawaii mandatory global warming and erosion reserve any reserves transferred from the Hawaii mandatory global warming and erosion reserve that are not expended to pay qualifying losses.

(c) A property insurer shall not retain any investment income or interest earned from the Hawaii mandatory global warming and erosion reserve. Any investment income or interest earned from the Hawaii mandatory global warming and erosion reserve shall be used by the property insurer to reduce Hawaii policyholders' premiums.

(d) Any transfer of reserves from the Hawaii mandatory global warming and erosion reserve that are not expended to pay qualifying losses shall require the property insurer to provide written notice and an explanation of the transfer. Upon the
request of a property insurer, the commissioner may approve funds for transfer from the Hawaii mandatory global warming and erosion reserve:

(1) To mitigate the potential impairment of the property insurer;

(2) When the property insurer no longer has exposure for qualifying losses; or

(3) Where the release of funds would be in the best interests of the property insurer, its policyholders, or this State.

§431: -I Reporting requirements. (a) For a domestic insurer, the Hawaii mandatory global warming and erosion reserve shall be shown as a write-in liability item on the quarterly and annual statements.

(b) For an insurer other than a domestic insurer, the Hawaii mandatory global warming and erosion reserve shall be shown as a write-in liability item on the Hawaii supplement to the property annual statement.

§431: -J Rules. The commissioner may adopt rules pursuant to chapter 91 as necessary to effectuate the purposes of this article."
SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of $300,000 or so much thereof as may be necessary for fiscal year 2018-2019 for the operational costs associated with the establishment of the global warming and erosion insurance reserve pursuant to section 1 of this Act and the hiring of staff, including an administrator for the global warming and erosion insurance reserve branch, a statistician or actuary, and necessary clerical support staff.

The sum appropriated shall be expended by the department of commerce and consumer affairs for the purposes of this Act.

SECTION 3. In codifying the new sections added by section 1 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 4. This Act shall take effect on July 1, 2018; provided that section 1 of this Act shall apply to policies of insurance or contracts of reinsurance covering losses for
property risks located or resident in this State that are issued or renewed on or after June 1, 2019.

INTRODUCED BY:
Report Title:
Insurance; Global Warming and Erosion; Mandatory Reserve Fund; Appropriation

Description:
Establishes the global warming and erosion reserve branch within the insurance division of the department of commerce and consumer affairs. Beginning June 1, 2019, requires authorized property insurers that cover losses resulting from an environmental event, including global warming, erosion, or both, to establish a Hawaii mandatory global warming and erosion reserve, to fund the payment of claims associated with global warming and erosion in the State's shoreline areas. Appropriates funds.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.