

STAND. COM. REP. NO.

891

Honolulu, Hawaii

March 6, 2015

RE: H.B. No. 737

H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 737, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PROPERTY INSURANCE,"

begs leave to report as follows:

The purpose of this measure as received by your Committee is to authorize the Hawaii Property Insurance Association to:

- (1) Expend funds in the Hawaii Hurricane Relief Fund to pay for extraordinary losses caused by the flow of lava or other volcanic activity; and
- (2) Reduce assessments to its member insurers using funds from the Hawaii Hurricane Relief Fund.

An individual provided testimony in support of this measure in the form in which it was received by your Committee. The Board of Directors of the Hawaii Hurricane Relief Fund and Hawaii Independent Insurance Agents Association provided testimony in opposition. The Department of Budget and Finance provided comments.

Your Committee held a public hearing on February 18, 2015, and deferred action on this measure. Subsequently, your Committee held another public hearing on a Proposed House Draft 2 (Proposed H.D. 2) of this measure. Prior to public hearing on March 4,

HB737 HD2 HSCR CPC HMS 2015-2421



2015, the Proposed H.D. 2 was circulated for public review and comment.

The purpose of the Proposed H.D. 2 is to:

- (1) Define lava zones as volcanic hazard zones in the County of Hawaii;
- (2) Limit, when a state of emergency exists, the total number of property insurance policies that an insurer may non-renew in a lava zone for each calendar year to five percent of the total number of covered policies of the insurer in force in that lava zone; provided that if approved by the Insurance Commissioner, the five per cent limit may be exceeded as a result of nonpayment of premiums or to avoid impairment to the insurer's financial soundness; and
- (3) Bar any moratorium in place during a state of emergency caused by lava flow on the issuance of new residential property insurance by the Hawaii Property Insurance Association for property situated in lava zones and require new policies to become effective within six months from policy acceptance.

The Department of Commerce and Consumer Affairs testified in support of the Proposed H.D. 2. The Hawaii Insurers Council provided comments.

After careful consideration, your Committee has further amended the Proposed H.D. 2 by clarifying that cancellations or non-renewals of policies due to non-payment of premiums or to avoid impairment to the insurer's financial stability are not subject to the five percent annual limit.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 737, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 737, H.D. 2.



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



ANGUS L.K. MCKELVEY, Chair



Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 737 HD1	Committee Referral: PBS, CPC	Date: MAR 6, 2015		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. WOODSON, Justin H. (VC)	✓			
3. BELATTI, Della Au				✓
4. BROWER, Tom				✓
5. CREAGAN, Richard P.	✓			
6. HAR, Sharon E.	✓			
7. HASHEM, Mark J.	✓			
8. KAWAKAMI, Derek S.K.	✓			
9. LEE, Chris	✓			
10. NAKASHIMA, Mark M.	✓			
11. OSHIRO, Marcus R.	✓			
12. SAN BUENAVENTURA, Joy A.	✓			
13. TAKAYAMA, Gregg	✓			
14. YAMANE, Ryan I.	✓			
15. FUKUMOTO CHANG, Beth				✓
16. MCDERMOTT, Bob	✓			
TOTAL (16)	13			3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				