



Insurance Market Update: Property Insurance in Hawaii

Friday, April 26, 2024 King Kamehameha Golf Club





Jim Sipich
Heather Deugan
Senior Vice President







Michael Onofretti

Vice Chair



WHAT IS GOING ON?!

- State of the Insurance Marketplace
 - Local, Admitted Market Update
- Global Market Update/Secondary Market
- Captive/Self-Insurance is this an option?
- SB3234 Stabilization Of Property Insurance
 - What's Ahead for Associations

Big MAHALO to our breakfast pastries sponsor!



Shari Lau
Production
Underwriter

AGENDA

8:00 am – 9:00 am Registration & Meet with Vendors

9:00am Opening/Introductions

Platinum Sponsors

CCM Board Members

Speakers

9:15am State of Insurance Marketplace – Local,

Admitted Market Update

Elaine Panlilio

9:30am Global Market Update

Heather Deugan and Jim Sipich

10:00am Giveaways/Break

10:30am Captive/Self-Insurance – is this an option

for AOAOs?

Paul Shimomoto

11:00am What's being done? Stabilization of

Property Insurance

Mike Onofretti

11:30am Q&A

12pm Lunch

Elaine Panlilio
AOAO Unit Manager

Speaker Bios

Elaine Panlilio, CRM, CIC, CISR is the AOAO Unit Manager at Atlas Insurance Agency, the largest locally owned insurance agency in Hawaii. Atlas is the only Hawaii headquartered insurance agency to make it on the 2023 Insurance Journal Top 100 Property/Casualty Insurance Agencies in the US.

Elaine has 18 years of insurance experience and has been with Atlas Insurance for 15 years. She leads a team of specialists that handle insurance for Condominium and Homeowner Associations.

Elaine holds the Certified Risk Manager, Certified Insurance Counselor and Certified Insurance Service Representative professional designations from the National Alliance for Insurance Education and Research. She currently serves as the vice-chair of the Community Associations Institute - Legislative Action Committee Hawaii Chapter and serves on the State of Hawaii DCCA Condominium Task Force.



Heather DeuganSenior Vice President

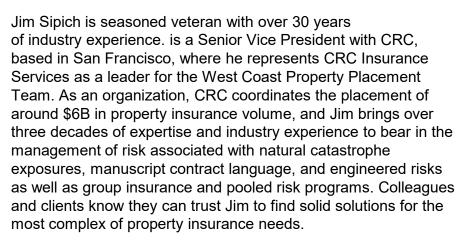


Heather Deugan is a Senior Vice President with CRC Insurance with extensive knowledge in catastrophe modeling and underwriting for property insurance risks including earthquake, flood, hurricane and wild fire. Heather Deugan has worked exclusively with property insurance since starting her career underwriting Earthquake, Flood and Hurricane on behalf of Lloyds of London. Since 2006 when she joined CRC she has utilized her technical background in catastrophe modeling and underwriting to assist her clients in the placement of difficult property insurance risks including Wild Fire, Hurricane, Earthquake and Flood placements.

CRC Group is the leading wholesale and specialty insurance distributor in the United States. CRC Group's brokers and underwriters use data and analytics driven insights delivered through the company's proprietary REDY® platform to the global insurance marketplace and help retail agents like Atlas Insurance to achieve better and faster results for their clients

CRC insures over 284,000 properties that cover 237 markets and place over 1.4 Billion, in Real Estate premium.

Speaker Bios



Jim graduated from California State University Sacramento with a degree in Finance and initially launched into the insurance industry as an HPR underwriter with Industrial Risk Insurers (now Swiss Re) in 1986. Over the course of his 15 years on the insurance company side of the business he held various property underwriting, sales, and fire protection engineering positions with IRI, GE Risk Solutions, and Kemper. He then moved on to begin his career as an Excess and Surplus Lines Broker joining CRC Group (Tri City Brokerage) in 2001.



JIM Sipich
Senior Vice President





Mike Onofretti Vice Chair



Mike Onofrietti, ACAS, MAAA, CPCU has 35 years of experience in the Hawaii insurance industry including underwriting, actuarial services, reinsurance and government & regulatory affairs. He is the current Vice Chair of the Hawaii Insurers Council. He is also an associate of the Casualty Actuarial Society, a member of the American Academy of Actuaries, and a Chartered Property & Casualty Underwriter. His current community contributions include serving as Board Chair of Goodwill Industries of Hawai'i, Board Member of Hawai'i Youth Symphony, and member of the Community Advisory Committee to the Honolulu Office of Climate Change, Sustainability and Resiliency.

Speaker Bios



Paul Shimomoto, Esq.
President



Paul is a partner in the Honolulu law firm of Goodsill Anderson Quinn & Stifel where he practices in the areas corporate and insurance regulatory law, with an emphasis in captive insurance.

For nearly 25 years, he has been representing clients in the area of captive insurance and insurance regulatory matters. His clients span the globe: from local Hawaii companies to publicly-traded Fortune 500 and Global 500 companies from across the U.S., Japan and Europe.

Paul has achieved the highest rating of "AV Preeminent" by Martindale-Hubbell and has been consistently recognized as a "Top Rated Lawyer" in Insurance Law by the American Lawyer and Corporate Counsel Magazines. In 2021, Paul was named "Captive Service Professional of the Year" at the Captive Review APAC Awards for his commitment to expanding the use and understanding of captive insurance for Japanese

companies. Paul also received a "Highly Commended" award for top individual legal services provided to captives in the 2022 Captive International US Awards. And in 2023, Paul also was recognized as the Captive Service Professional of the Year at the 2023 Captive Review Awards.

Paul is regularly featured as a speaker at some of the world's most respected captive insurance conferences in the US, Europe and Japan, and he has had a hand in drafting many of the captive insurance laws and regulations that exist in Hawaii today. Paul currently serves as the President and Chair of the Marketing Committee for the Hawaii Captive Insurance Council.





Guest Speakers

Elaine Panlilio AOAO Unit Manager



Heather Deugan Senior Vice President











Community Association Insurance Issues

Elaine Panlilio

April 26, 2024

Factors Behind Property Insurance Premium Increases

- 1. Increasing reinsurance costs due to global catastrophes
- Some insurance carriers need to do a rate correction due to loss experience and increase in reinsurance costs
- 3. Reduction in risk appetite/re-evaluating aggregation of risks for some
- 4. Higher than average construction supply costs due to inflation and shipping costs to Hawaii
- 5. Higher than average construction labor costs (demand surge) after a community wide catastrophe
- 6. Some buildings are underinsured, and insurance carriers are requiring an increase in their replacement costs



ATLAS

Emerging Issue: Hurricane Insurance for Condos

- Only 3 Hawaii Admitted Insurers writing Property Coverage for Condos
- Lack of availability and affordability of Hurricane Insurance has been an issue for other states such as Florida and South Carolina in the past years
- Emerging issue in Hawaii: lenders are issuing internal memos to their loan
 officers with a "blacklist" of buildings that may be ineligible for traditional
 financing due to hurricane limits being less than the replacement cost of the
 building



Fannie Mae Mortgage Guidelines

 Fannie Mae Guidelines: AOAO Master Property Policy written on special form including coverage for Named Storms or Hurricanes at full replacement cost. If the policy excludes or limits coverage on any of the required perils, the AOAO must obtain an acceptable stand-alone policy for the excluded or limited peril.

Reference:

Fannie Mae Selling Guide B7-3-03 Master Property Insurance Requirements for Project Developments



Beware: D&O Policy Exclusions

Failure or omission to obtain or maintain proper or adequate insurance coverage.





Insurability for Condominium Associations

- 1. Know your loss ratio. 0-30% is ideal.
- 2. Do not defer maintenance and include maintenance expense in the budget.
- 3. High Risk Components Inspections every 3-5 years.
- 4. Educate unit owners on water damage and loss prevention.
- 5. Share the efforts with your insurance agent on proactive efforts the association has taken to prevent losses.





Global Marketplace Update Jim Sipich Senior Vice President CRC Group Heather Deugan Senior Vice President CRC Group Wholesale & Specialty

Global Market Place Agenda

- Review 2021 CCM presentation
- Discuss current property insurance trends
- Looking forward what to expect

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Global Market Place 2021 Recap



The market is evolving

- Global insurance market
- Deteriorating property insurance market on the mainland
- Catastrophe modeling
- Global Nat Cat losses impact Hawaii renewals

Global Market Place Top U.S. PC Carriers

- · State Farm
- · Progressive
- Berkshire
- Allstate
- · Liberty Mutual
- Travelers
- USAA
- Chubb
- Farmers
- Nationwide
- · American Family
- Hartford

Global NAT CAT losses (insured) in USD



Global Natural catastrophe Insured losses

2023: \$117 billion 2022: \$141 billion 10-year average: \$99 billion

Source: Swiss Re

Hawaii Property Market 2024

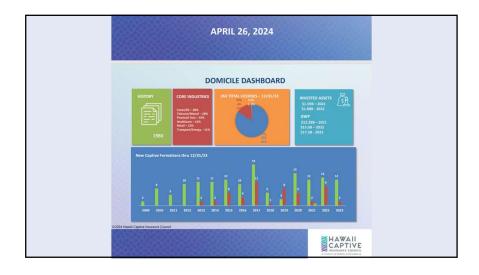


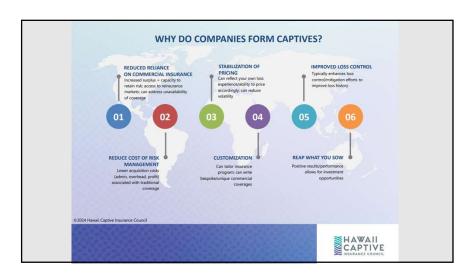
Hawaii Property Market - 2024

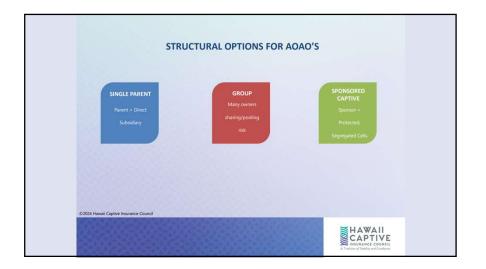
- Admitted markets retracting and retrenching
- Non-Admitted market stable
- Shared and layered property insurance programs

















PHIC and others discussed condominium issues with Legislators beginning in 2022

Rates were increasing for both unit owners and AOAOs due to a significant increase in water damage claims

Hurricane coverage issues began surfacing in 2023

The loss of coverage availability would cause significant problems for condo owners, and the entire state

Morkets of last resort

Most states have entities created by statute used as markets of last resort when coverage becomes unavailable. Hawaii has two:

Hawaii Property Insurance Association (HPIA), originally created to provide coverage in lava inundation zones on the Big Island

Hawaii Hurricane Relief Fund (HHRF), created to provide residential and small business hurricane coverage after Hurricane Iniki

Neither HPIA nor HHRF are authorized to insure condo buildings

HHRF has been dormant since around 2004

How can the legislature ensure coverage availability?

• HPIA is needed to ensure coverage is available for non-hurricane losses

• HHRF is needed due to Fannie Mae/Freddie Mac requirements

• HIC and other stakeholders (mortgage bankers, realtors and others) drafted legislation that would permit HPIA and HHRF to insure condo buildings: HB2686/SB3234

HB2686/SB3234

 Authorizes expansion of HPIA and HHRF to provide coverage for condo buildings
 Includes start-up capital to come from 3 sources to reflect the societal nature of the issue:
 Assessments against insurers
 Mortgage recordation fee increase
 Conveyance tax increase
 HPIA and HHRF need capital to purchase reinsurance, implement processing system changes and other start-up costs

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HB2801/SB2727: C-PACER Funding

 Provide loans for condo buildings to make needed infrastructure repairs, like re-piping

 Loans would be from private lenders including banks and others

 Offer slightly lower interest rates and longer amortization period of up to 25 years (compared to 10 for other similar loans)





2024 Save-the-Date

Summer Hot Topics

South Side: July 24

West Side: July 25

September 6 Managing Personalities

October 11
Legislative Update

November 22
Annual Trade Show

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Please answer the following questions as candidly as possible. Your comments will be used to improve the quality of future programs. Please return it to the Registration Desk.

NAME OF SEMINAR:
Please rate this Seminar on the following statements from 1-5 (5 being the highest)
Overall
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Usefulness
Time Allotments
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Facility
Overall, did today's program meet your expectations?YESNO Please elaborate:
2. What improvements can you suggest for future presentations of this seminar?
3. Please list topics that would be of interest to you for future seminars. a b
4. Are you a CCM Member?YESNO
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