



# Insurance Market Update: Property Insurance in Hawaii

Friday, April 26, 2024  
King Kamehameha Golf Club

**Elaine Panlilio**  
AOAO Unit Manager



**Jim Sipich**  
**Heather Deugan**  
Senior Vice President



**Paul Shimomoto**  
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<br>Platinum Sponsors<br>CCM Board Members<br>Speakers                 |
| 9:15am            | State of Insurance Marketplace – Local,<br>Admitted Market Update<br><b>Elaine Panlilio</b> |
| 9:30am            | Global Market Update<br><b>Heather Deugan and Jim Sipich</b>                                |
| 10:00am           | Giveaways/Break   |
| 10:30am           | Captive/Self-Insurance – is this an option<br>for AOAOs?<br><b>Paul Shimomoto</b>           |
| 11:00am           | What’s being done? Stabilization of<br>Property Insurance<br><b>Mike Onofretti</b>          |
| 11:30am           | Q&A   |
| 12pm              | Lunch   |

## Speaker Bios



**Elaine Panlilio**  
AOAO Unit Manager



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 Deugan**  
Senior 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 Sipich**

Senior Vice President



Jim Sipich is seasoned veteran with over 30 years of industry experience. is a Senior Vice President with CRC, based in San Francisco, where he represents CRC Insurance Services as a leader for the West Coast Property Placement Team. As an organization, CRC coordinates the placement of around \$6B in property insurance volume, and Jim brings over three decades of expertise and industry experience to bear in the management of risk associated with natural catastrophe exposures, manuscript contract language, and engineered risks as well as group insurance and pooled risk programs. Colleagues and clients know they can trust Jim to find solid solutions for the most complex of property insurance needs.

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.



**Mike Onofretti**

Vice Chair

Mike Onofretti, 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.



**Insurance**  
**Market Update:**  
**Property Insurance**  
**in Hawaii**



# Guest Speakers

**Elaine Panlilio**  
AOAO Unit Manager



**Jim Sipich**  
**Heather Deugan**  
Senior Vice President



**CRC Group**  
Wholesale & Specialty

**Paul Shimomoto**  
President



**Michael Onofretti**  
Vice Chair



# Community Association Insurance Issues

**Elaine Panlilio**

**April 26, 2024**





# Factors Behind Property Insurance Premium Increases

1. Increasing reinsurance costs due to global catastrophes
2. 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 insurance carriers
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

# Top 10 Costliest Global Tropical Cyclones by Insured Losses, 1900-2023 (1)

(2023 US\$ billions)

Rank	Date	Country/region	Event	Insured loss	
				Dollars when occurred	In 2023 dollars (2)
1	Aug. 2005	U.S.	Hurricane Katrina	\$65	\$102
2	Sep. 2022	U.S., Cuba	Hurricane Ian	54	56
3	Sep. 2017	U.S., Caribbean	Hurricane Irma	33	42
4	Aug. 2021	U.S., Caribbean	Hurricane Ida	36	41
5	Oct. 2012	U.S., Caribbean, Canada	Hurricane Sandy	30	40
6	Aug. 2017	U.S.	Hurricane Harvey	30	38
7	Sep. 2017	U.S., Caribbean	Hurricane Maria	30	37
8	Aug. 1992	U.S., Caribbean	Hurricane Andrew	16	35
9	Sep. 2008	U.S., Caribbean	Hurricane Ike	18	26
10	Oct. 2005	U.S., Caribbean	Hurricane Wilma	13	19

(1) Includes losses sustained by private insurers and government-sponsored programs. Subject to change as loss estimates are further developed. As of January 2024.

(2) Adjusted for inflation by Aon using the U.S. consumer price index.

Note: Loss data shown here may differ from figures shown elsewhere for the same event due to differences in the date of publication, the geographical area covered and other criteria used by organizations collecting the data.

Source: Aon.



# 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: AOA 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 AOA 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



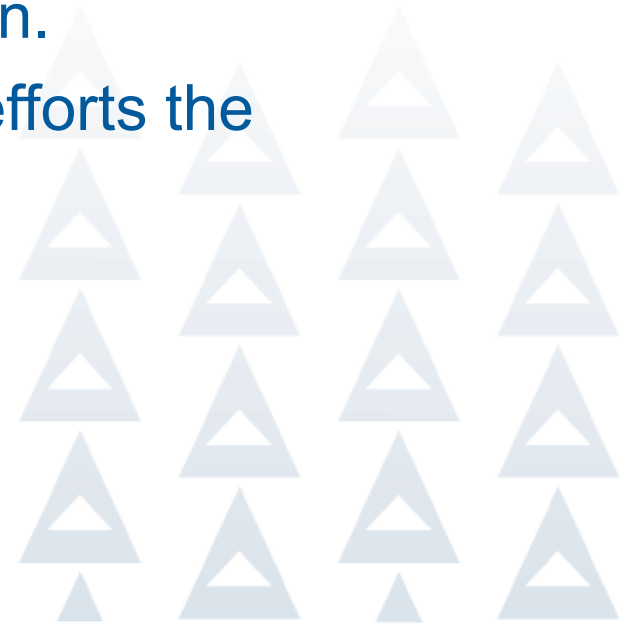
## **Beware: D&O Policy Exclusions**

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



# Insurability for Condominium Associations

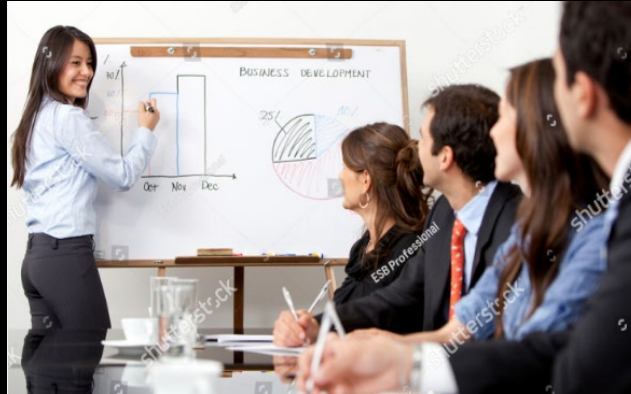
1. Know your loss ratio. 0-30% is ideal.
2. Do not defer maintenance and include maintenance expense in the budget.
3. High Risk Components Inspections every 3-5 years.
4. Educate unit owners on water damage and loss prevention.
5. Share the efforts with your insurance agent on proactive efforts the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



# INSURANCE AGENT



**WHAT FRIENDS THINK I DO**



**WHAT MOM THINKS I DO**



**WHAT SOCIETY THINKS I DO**



**WHAT CLIENTS THINK I DO**



**WHAT I THINK I DO**



**WHAT I REALLY DO**

imgflip.com



# Global Marketplace Update



**Jim Sipich**  
Senior Vice President  
CRC Group



**Heather Deugan**  
Senior Vice President  
CRC Group



**CRC Group**  
Wholesale & Specialty



# Global Market Place Agenda

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

# 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
- Zurich
- American Family
- Hartford

Roughly represents 50% of industry P&C written premium in 2023  
Source: NAIC

# 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

# Global Market Place Future Trends

## Looking Ahead – Market Trends

- Climate Change
- Natural Catastrophe modeling

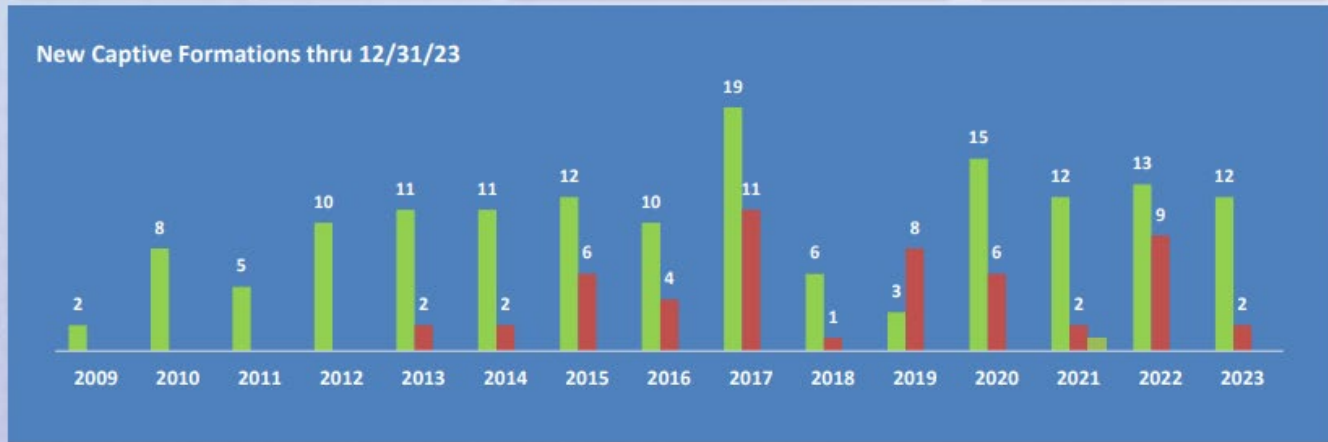
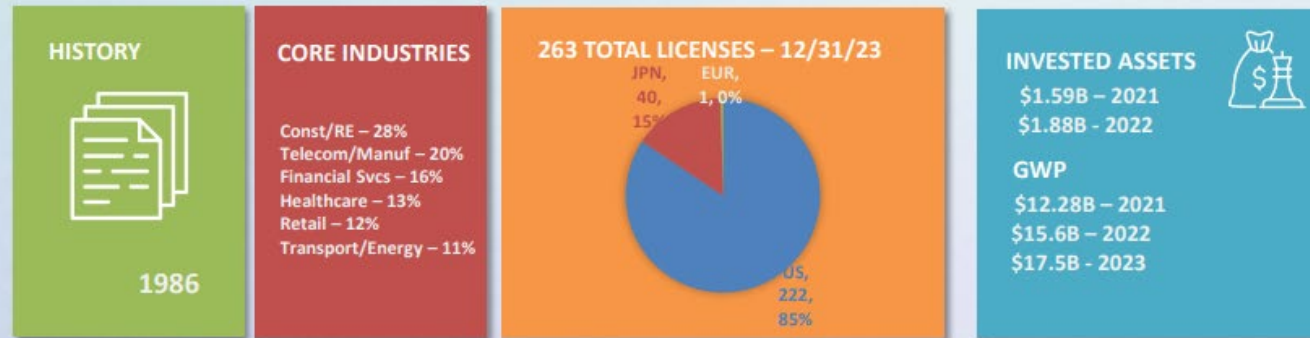
# PRESENTATION TO COMMUNITY COUNCIL OF MAUI



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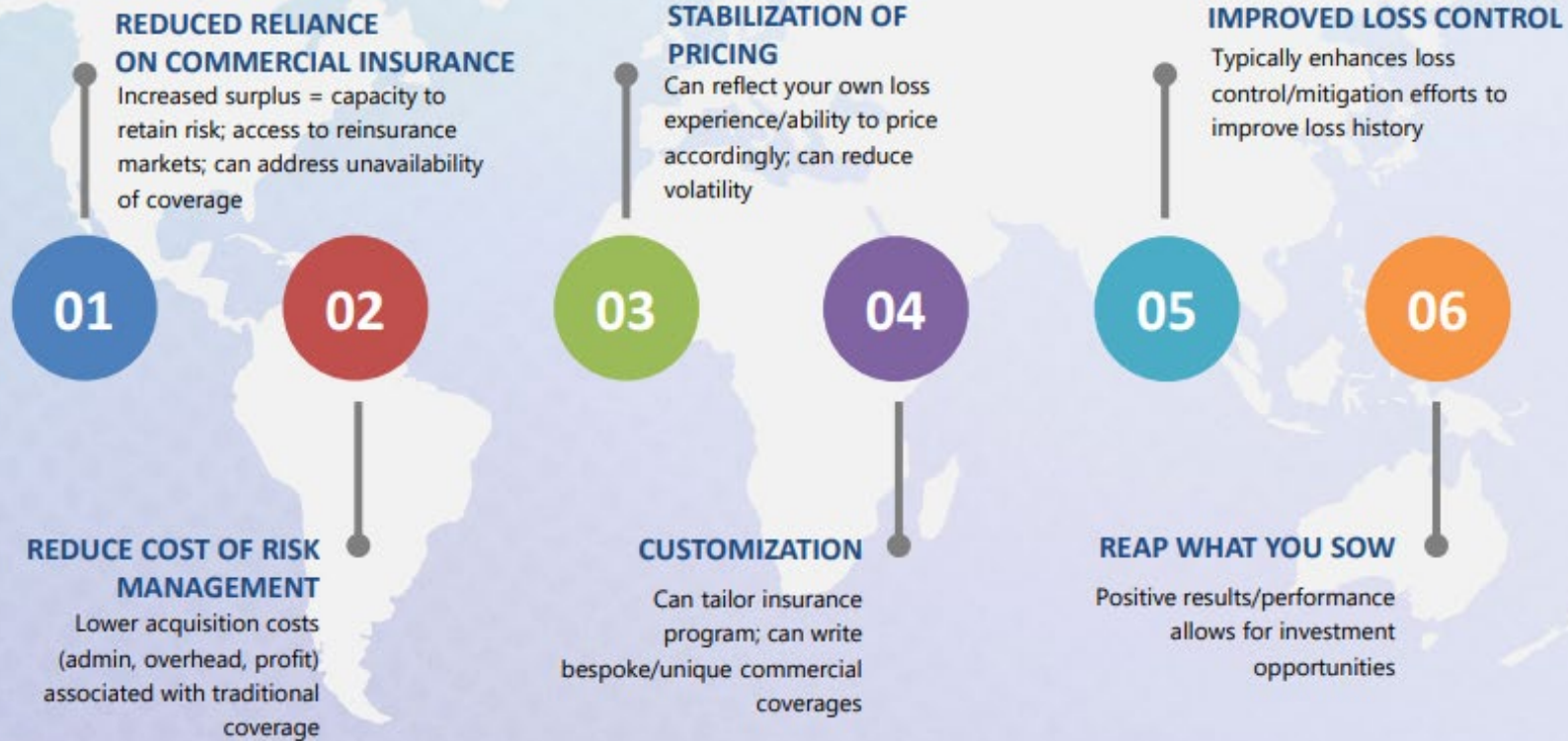
**APRIL 26, 2024**

## DOMICILE DASHBOARD





# WHY DO COMPANIES FORM CAPTIVES?



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## STRUCTURAL OPTIONS FOR AOA'S

### SINGLE PARENT

Parent + Direct

Subsidiary

### GROUP

Many owners

sharing/pooling

risk

### SPONSORED CAPTIVE

Sponsor +

Protected,

Segregated Cells



## 2024 INTERNATIONAL SEMINAR SERIES

EAST BAY ROADSHOW

JUN 13 ~ ALAMEDA, CA

HAWAII CAPTIVE FORUM

OCT 14-17 ~ KAUAI GRAND HYATT  
POIPU, KAUAI, HAWAII

JAPAN CAPTIVE SEMINARS

NOV 19-20 ~ TOKYO STATION HOTEL  
TOKYO, JAPAN



**MAHALO!**

**Paul Shimomoto, Esq.**  
**President**  
**Hawaii Captive Insurance Council**  
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# Hawaii 2024 Legislative Response

MIKE ONOFRIETTI, ACAS, MAAA, CPCU  
VICE CHAIR, HAWAII INSURERS COUNCIL

# Background & Recap

- ▶ HIC 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

# Markets 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

# HB2686/SB3234

- ▶ Intended to ensure coverage is available
- ▶ Until the plumbing issues are resolved loss costs will remain high
- ▶ The increasing cost and limited capacity of reinsurance will result in higher HHRF premiums
- ▶ If HPIA and HHRF charge inadequate premiums they can fail
- ▶ The expectation is that HPIA and HHRF premiums will be lower than those charged by non-admitted insurers

# 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)

*Results??*



# Insurance Market Update: Q&A



# **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**

*"Helping To Build Stronger Community Associations on Maui"*

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# COMMUNITY COUNCIL OF MAUI (CCM)

## SEMINAR EVALUATION

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 \_\_\_\_\_

Easily Understood \_\_\_\_\_

Usefulness \_\_\_\_\_

Time Allotments \_\_\_\_\_

Seminar Packet \_\_\_\_\_

Facility \_\_\_\_\_

1. Overall, did today's program meet your expectations? \_\_\_\_YES \_\_\_\_NO

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? \_\_\_\_YES \_\_\_\_NO

5. How did you hear about this seminar?

\_\_\_\_ CCM Newsletter    \_\_\_\_ Seminar Flyer    \_\_\_\_ Referral from individual

\_\_\_\_ Local Newspaper    \_\_\_\_ Managing Agent/Property Manager

\_\_\_\_ E-Mail    \_\_\_\_ Other (please specify) \_\_\_\_\_

Name: \_\_\_\_\_

Organization/Association: \_\_\_\_\_

Address: \_\_\_\_\_

Business Phone: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

\*\*If you are not receiving e-mails from CCM, please update your e-mail address

**MAHALO!**