



2025

Insurance Market Update



Friday, March 14, 2025
King Kamehameha Golf Club

WHAT IS GOING ON?!

- State of the Insurance Marketplace
 - Local, Admitted Market Update
- Global Market Update/Secondary Market
 - What's Ahead for Associations

Hear from our local Condominium Insurance Experts and
Global Market Representatives

Elaine Panlilio
AOAO Unit Manager



Sue Savio
President



Kyle Jansen
Senior Vice President



Charles Ford
SVP E&S Property Team
Western Regional Manager



AGENDA

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

9:00am – Opening/Introductions

- Platinum Sponsors
- CCM Board Members
- Speakers

9:15am – Insurance Basics

Elaine Panlilio

9:35 am – Global Marketplace Update

Kyle Jansen and Charles Ford

10:15am – Giveaways/Break

10:35am – Local Market Update and What's Ahead

Elaine Panlilio and Sue Savio

11:30am – Q&A

12pm – Lunch

Speaker Bios



Elaine Panlilio
AOAO Unit Manager



Elaine Panlilio, CRM, CIC, CISR is the AOA Unit Manager at Atlas Insurance Agency, the largest locally owned insurance agency in Hawaii. Atlas is the only Hawaii-headquartered insurance agency to be recognized in the Insurance Journal Top 100 Property/Casualty Insurance Agencies in the U.S. for both 2023 and 2024.

With 19 years of experience in the insurance industry, Elaine has been a key part of Atlas Insurance for 16 years. She leads a team of specialists dedicated to managing insurance programs for Condominium and Homeowner Associations.

Elaine holds the Certified Risk Manager (CRM), Certified Insurance Counselor (CIC), and Certified Insurance Service Representative (CISR) designations from the National Alliance for Insurance Education and Research. She is actively involved in the Community Associations Institute (CAI), serving on both the Legislative Action Committee and Newsletter Committee. In addition to speaking at seminars, Elaine has also taught insurance continuing education classes for insurance professionals.



Sue Savio
President

Surita Savio – Ms Savio was born in Honolulu and is the owner of Insurance Associates. Her agency specializes in insuring condominiums, townhomes and community associations. The agency was founded in 1969 by Rudy Savio, CPCU and Ms. Savio has been the owner since 1975. Ms Savio is an active member of the Community Association Institute (CAI). CAI is a national organization dedicated to providing education and resources to the volunteer homeowners who govern their community. Ms. Savio is past President of Community Association Institute (CAI) Hawaii and has served on their board in different capacities since 2000. She also served as President of the Hawaii Independent Insurance Agents Association and currently serves as President for two condominiums.

Ms. Savio is a graduate of the University of Hawaii with a degree in Elementary Education. She taught school for six years before joining Insurance Associates.



Speaker Bios



Charles Ford
SVP E&S Property Team
Western Regional Manager



Charles Ford is a Risk Management and Insurance graduate of the University of Georgia. With an impressive 23-year career, he has honed his expertise in underwriting challenging commercial property risks, focusing particularly on catastrophic exposures. Currently, Charles is in his 10th year with Sompo Insurance Holdings, where he leads a team of underwriters from the Sompo Los Angeles office. His extensive experience spans a wide range of catastrophic exposures, from Miami to California, and of course, Hawaii.



Kyle Jansen
Senior Vice President



With 17 years of experience in the insurance industry, Kyle Jansen currently serves as Senior Vice President and Los Angeles Property Practice Leader at Amwins, the nation's largest wholesale brokerage. Amwins is a recognized leader in the Property space, placing \$11.9 billion in Property insurance premiums annually.

A graduate of the University of Hawaii at Manoa, Kyle has spent the last 11 years specializing in commercial property insurance. As a wholesale property insurance broker, he focuses on finding coverage for properties that are catastrophe exposed, loss troubled, or otherwise difficult or impossible to insure within the standard marketplace. His expertise allows him to develop tailored solutions for clients with unique or complex insurance needs.



2025 Insurance Market Update

Insurance Seminar

Friday, March 14

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Insurance 101 – Basics of Insurance

**Atlas Insurance Agency
Elaine Panlilio**



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Basics of Insurance

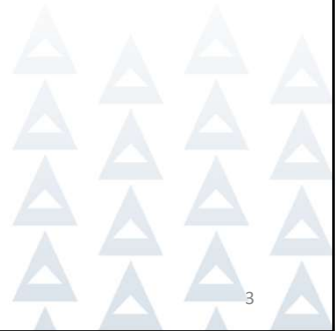
Reinsurance – Global safety net. Insurance for insurance companies.

Soft Market

- Low premiums
- High coverage limits and broader coverages
- More competitive insurance landscape with high availability of coverage. Insurers are more willing to negotiate and be flexible with their terms.

Hard Market

- Premiums increase
- Coverage limits and terms are restricted
- Capacity for most types of insurance decreases

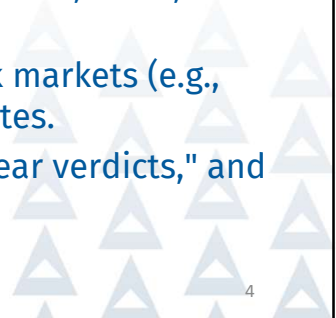


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What caused this hard market we are in?

- **Climate change:** More unpredictable and extreme weather patterns make underwriting riskier.
- **Natural Disasters:** Rising frequency and severity of hurricanes, wildfires, hailstorms, and floods have led to massive claims.
- **Reinsurance Costs:** Increased reinsurance rates passed down to insurers and ultimately policy holders.
- **Inflation & Supply Chain Disruptions:** Higher costs for materials, labor, and repairs have made claim payouts more expensive.
- **Carrier Exits:** Some insurers have withdrawn from high-risk markets (e.g., Florida, California), reducing competition and driving up rates.
- **Social Inflation:** A rise in large jury awards, known as "nuclear verdicts," and increased litigation costs have driven up claim payouts.



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Admitted Insurers vs. Non-Admitted Insurers

Admitted Insurers

- Licensed and under the regulation of the Hawaii Insurance Division.
- Rates are filed with the Hawaii Insurance Division.
- Rate increases will have to be filed or use of “Consent to Rate” form.
- Backed by the Hawaii Property & Casualty Insurance Guaranty Association; will pay up to **\$300,000 per claim** in the event of Admitted Insurer insolvency



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Admitted Insurers vs. Non-Admitted Insurers

Non-Admitted Insurers

- Verbiage on Certificates:
 “This insurance contract is issued by an insurer which is not licensed in the State of Hawaii and is not subject to its regulation and examination. If the insurer is found insolvent claims under this contract are not covered by any guaranty fund of the State of Hawaii.”
- Insurance Company Ratings: AM Best, Fitch Ratings, Standard & Poor’s (S&P) Insurance Ratings
- Do not file rates with the Hawaii Insurance Division.
- Surplus Lines tax 4.68% charged to insured.

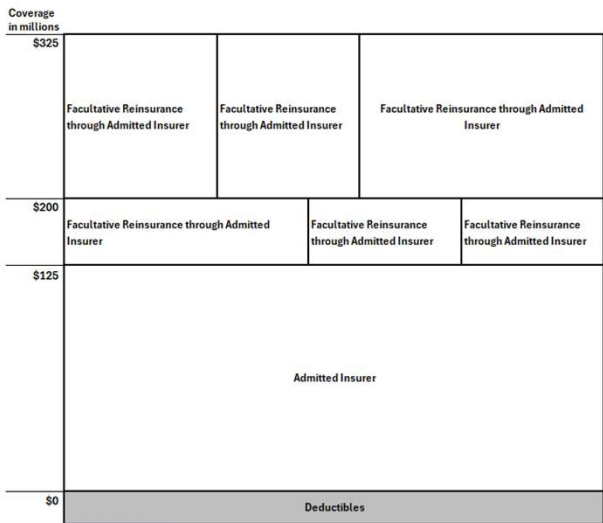


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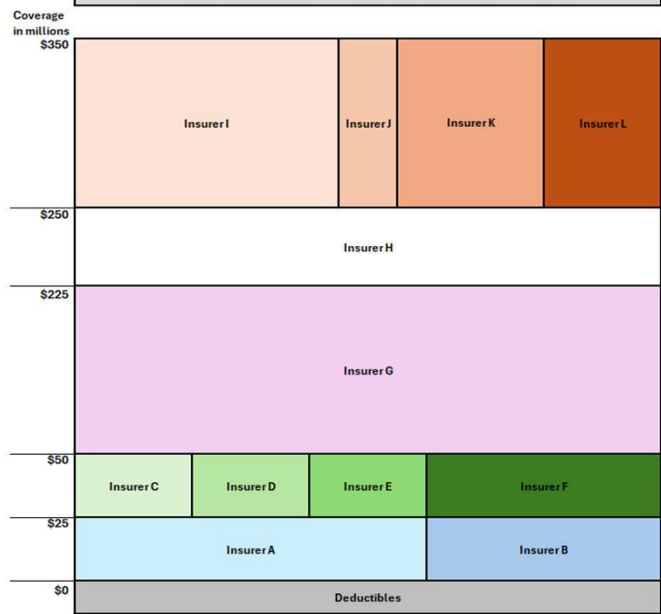
Admitted Insurers vs. Non-Admitted Insurers

AOUO of _____ (Admitted Insurer - 1 Policy)

Admitted Insurer - 1 Policy



AOUO of _____ (Non-Admitted Layered Coverage with 12 Insurers)



Kyle Jansen

Wholesale Insurance Broker
Amwins Insurance Brokerage

What is the role of a wholesale broker?

Retail Broker/Agent

- Client Facing
- Broad knowledge base across all product lines (Property, Casualty, Professional)
- Works directly with standard or admitted markets
 - But when these options are not adequate, they will reach out to a...

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What is the role of a wholesale broker?

Retail Broker/Agent

- Client Facing
- Broad knowledge base across all product lines (Property, Casualty, Professional)
- Works directly with standard or admitted markets
 - But when these options are not adequate, they will reach out to a...

Wholesale Broker

- Specialist in single product line (e.g. Property, Casualty, or Professional)
- Area(s) of expertise within line of coverage (e.g. Habitational risks)
- Access to surplus lines markets, London marketplace, Bermuda marketplace
 - These markets participate on risks which cannot find a suitable home in the admitted marketplace.
 - Risks perceived to be high risk, complex, or otherwise unique and challenging

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State of the National Property Insurance Market

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Looking Back...

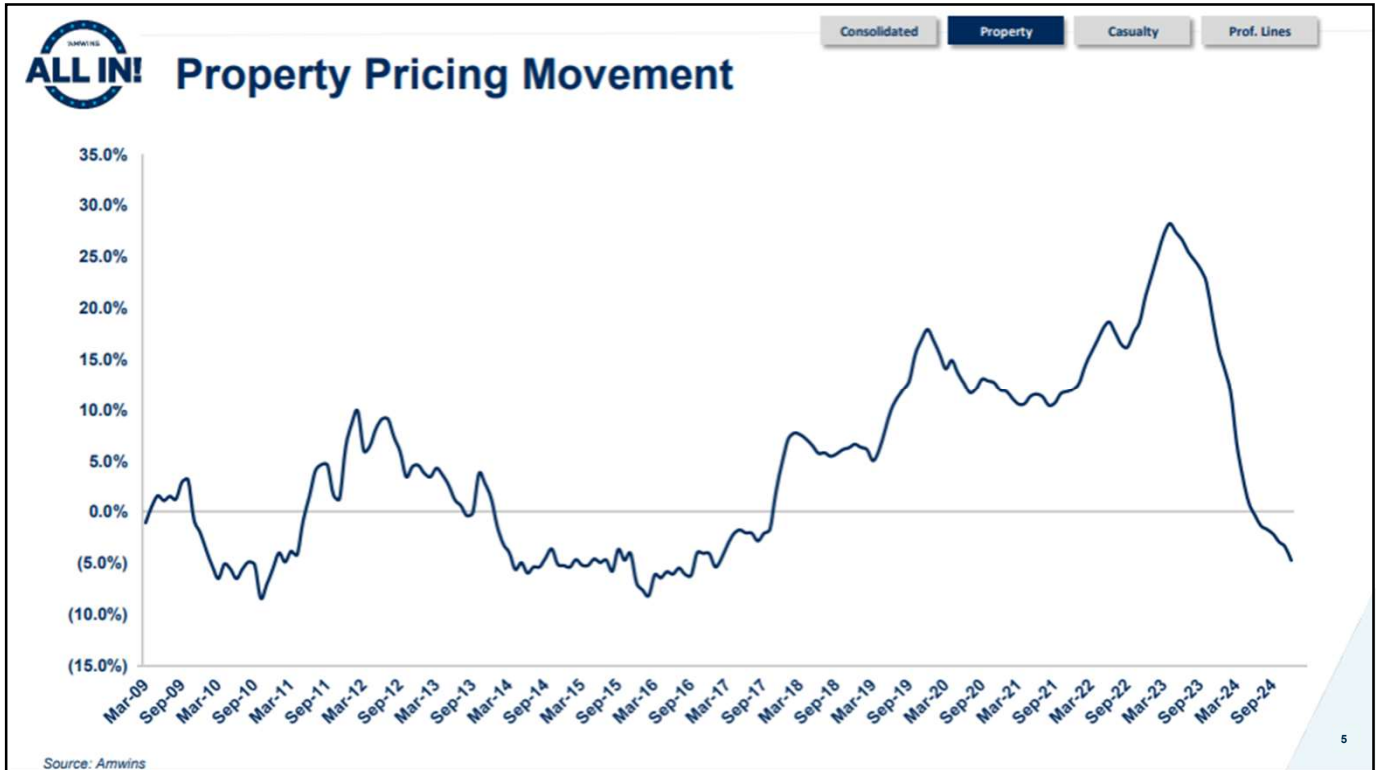
2004 – 2017: Prolonged “Soft Market”

- Most years during this period saw average rate reductions
- Single digit increases in 2011, 2012, & 2013
- Highly competitive environment fostered lenient underwriting
 - Reported replacement cost was typically well below reality
 - Underwriters would overlook neglected maintenance (electrical, plumbing, roofing, etc)

Insurers and Reinsurers ran on extremely thin margins – it was not uncommon to run at a net loss.

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Looking Back...

2018: Market Change

- Following a 14-year soft market, we enter what is arguably the most severe hard property market in modern insurance
- 25 consecutive quarters of rate increases

Why the big change?

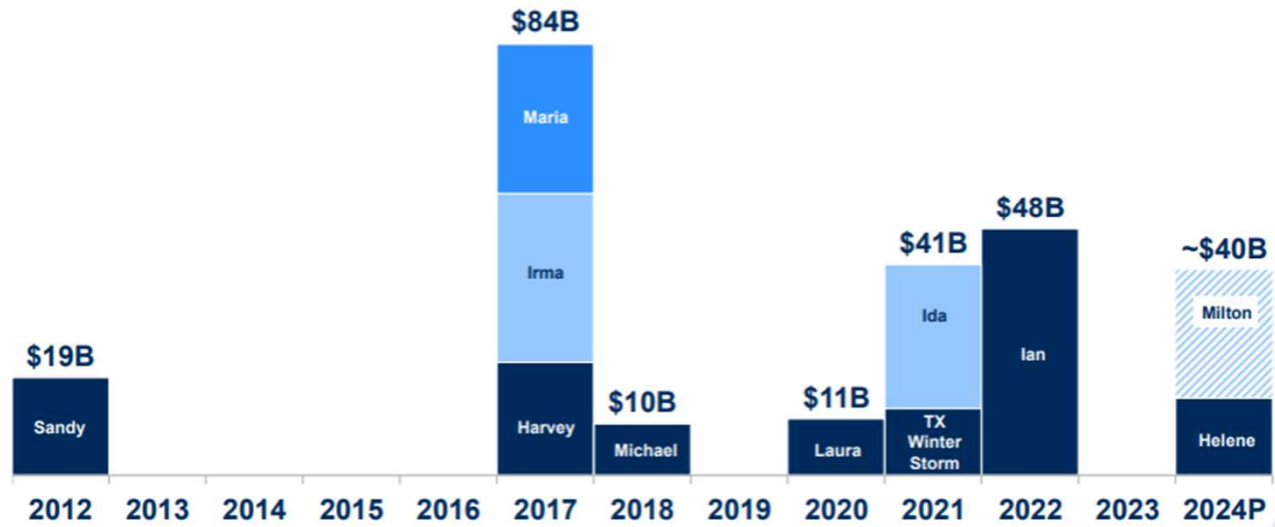
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Natural Catastrophes in the US

Milton and Helene damages are being estimated at ~\$40B



Source: Dowling Hales, GuyCarp, Aon, Industry Reports, D&P

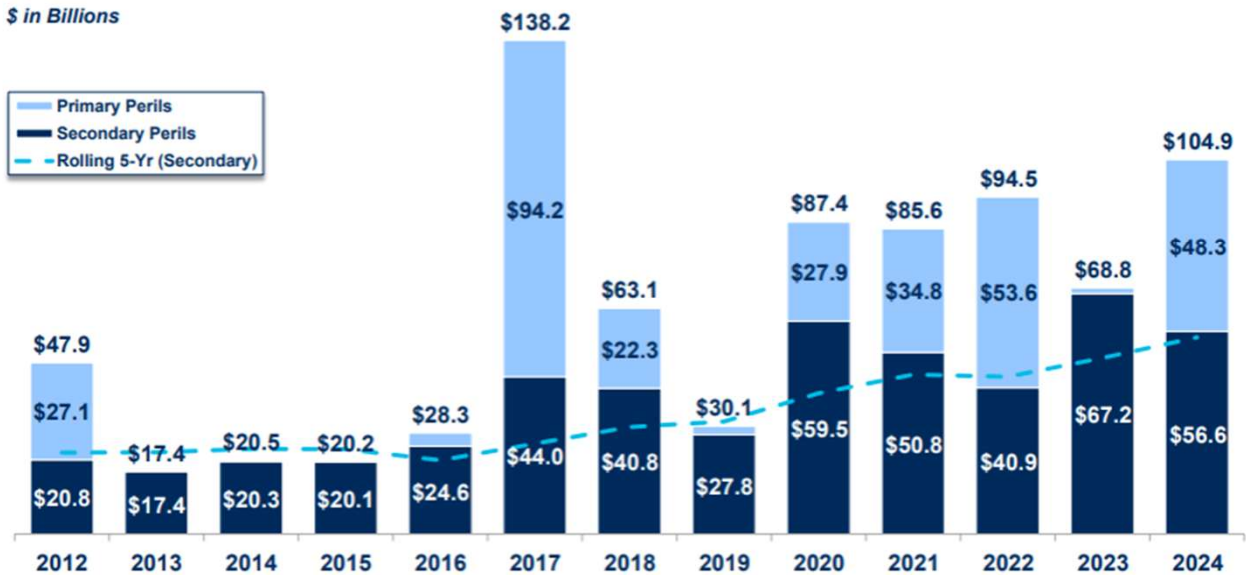
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U.S. Secondary vs. Primary Perils

\$ in Billions

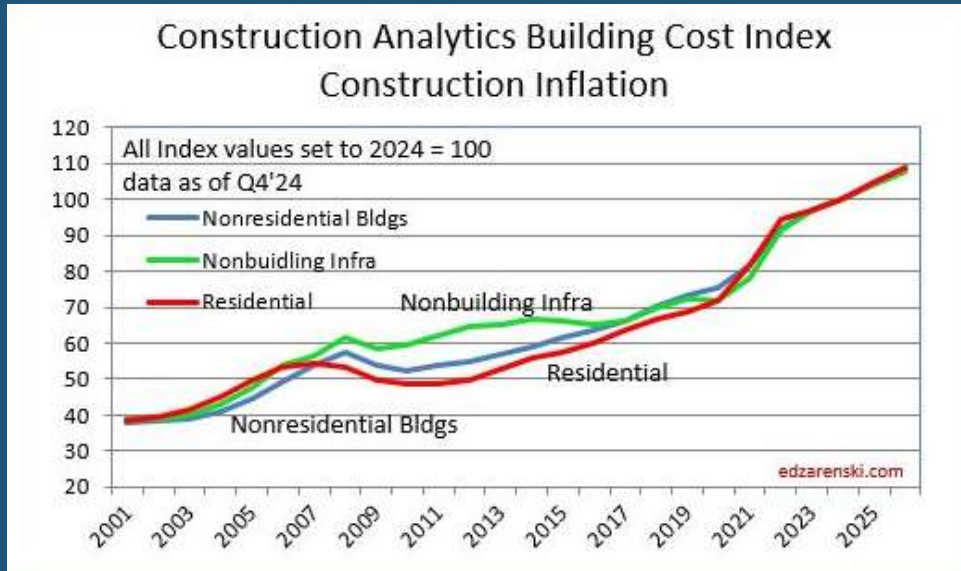


Source: BLS, D&P Analysis; (1) Inflation-Adjusted; Primary Perils Include Hurricanes, TS, EQs

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Cost of Construction Trends



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Recap of Hard Market Drivers

- 14-year soft market yielded a severely underpriced Property market
- Lenient underwriting led to under reported Replacement Cost Values and a blind eye to neglected building maintenance
- Increase in catastrophic loss events (initiated in 2017 with Harvey, Irma, Maria)
- Increase in secondary peril loss events
 - Severe Convective Storm and Wildfires
- Record high cost of construction inflation in 2021 and 2022

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Good News...

Much of the heavy lifting has already been done!

- Rates have been substantially increased
- Due to more attractive rates, there are more insurers in the marketplace competing for business
- Most insureds are now reporting much more realistic replacement cost valuations
- Improved understanding of the importance of proper building maintenance
- COVID era supply chain and labor shortage issues have improved
- Peak inflation is (hopefully) behind us

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Property Insurance Now and Looking Forward

01 Rates are dropping modestly

Average single digit rate reductions began early 2024 and continue now.

02 Increased competition

03 Conditions remain fragile

Los Angeles wildfires estimated at \$75B total insured losses.
Implications of Canada, Mexico, China tariffs

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E&S Property Underwriting

BEHIND THE CURTAINS



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Excess & Surplus Lines Underwriter

Risk Assessment

Evaluate unusual, complex, or high-risk insurance applications that standard insurers may decline.

Pricing and Terms

Based on the risk assessment, E&S underwriters determine the appropriate premiums, deductibles, and coverage limits.

Industry Expertise

E&S underwriters typically have in-depth knowledge of specialized industries or unique risk categories. This expertise helps them understand the nuances and potential liabilities inherent in these sectors.

Problem-Solving

They employ strong analytical and problem-solving skills to find coverage solutions for risks that fall outside the norm, often requiring innovative approaches.



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Insurance vs Reinsurance

- Insurance: A contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company.
- Reinsurance: A form of insurance purchased by insurance companies in order to mitigate risks. Almost all insurance companies have a reinsurance program. The ultimate goal of that program is to reduce their exposure to loss by passing part of the risk of loss to a reinsurer or a group of reinsurers.



2 types of Reinsurance

Facultative Reinsurance

Negotiated separately for each insurance policy that is reinsured. Facultative reinsurance is normally purchased by the insurance companies for individual risks not covered, or insufficiently covered. Underwriting expenses, and in particular personnel costs, are higher for such business because each risk is individually underwritten and administered.

Treaty Reinsurance

The insurance company and the reinsurer negotiate and execute a reinsurance contract under which the reinsurer covers the specified share of **ALL** of the insurance policies issued by the insurance company which come within the scope of that contract.

Proportional vs Non-Proportional

Non-Proportional means the reinsurer only pays out if the total claims suffered by the insurer in a given period exceed a stated amount. For sake of this conversation, we'll call this an Excess of Loss arrangement

Proportional means one or more reinsurers take a stated percentage share of each policy that an insurer issues ("writes"). The reinsurer will then receive that stated percentage of the premiums and will pay the stated percentage of claims. For sake of this conversation, we'll call this a Quota Share arrangement.

Reasons for purchasing reinsurance



Risk Transfer: With reinsurance, the insurer can issue policies with higher limits than would otherwise be allowed, thus being able to take on more risk because some of that risk is now transferred to the re-insurer.



Predictability: Reinsurance can make an insurance company's results more predictable by absorbing large losses. This is likely to reduce the amount of capital needed to provide coverage.



Creating a profitable portfolio of insured risks: By choosing a particular type of reinsurance method, the insurance company may be able to create a more balanced portfolio of risks helping to ensure a consistent approach to underwriting a profitable book of business.



Reinsurer's expertise: The insurance company may want to avail itself of the expertise of a reinsurer, or the reinsurer's ability to set an appropriate premium, in regard to a specific (specialized) risk. The reinsurer may have a more diverse portfolio of business because they transact with multiple insurance companies. The reinsurer may also have a greater risk appetite than the insurer.

Premiums



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Calculating Premium

Premium = Rate * Total Insured Value (TIV)

Rate is expressed as the amount you will charge per \$100 of coverage

Example .50 rate based on \$20,000,000 TIV = \$100,000 premium



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Case Study

Sunny Shore Condominium



Property Information

1234 Sunny Florida Ave. Miami, FL 33101

Values: \$50,000,000 Building., \$100,000 Contents

Occupancy: Beachfront Condo

Construction: Concrete and Steel (Fire Resistive)

Year built: 2015

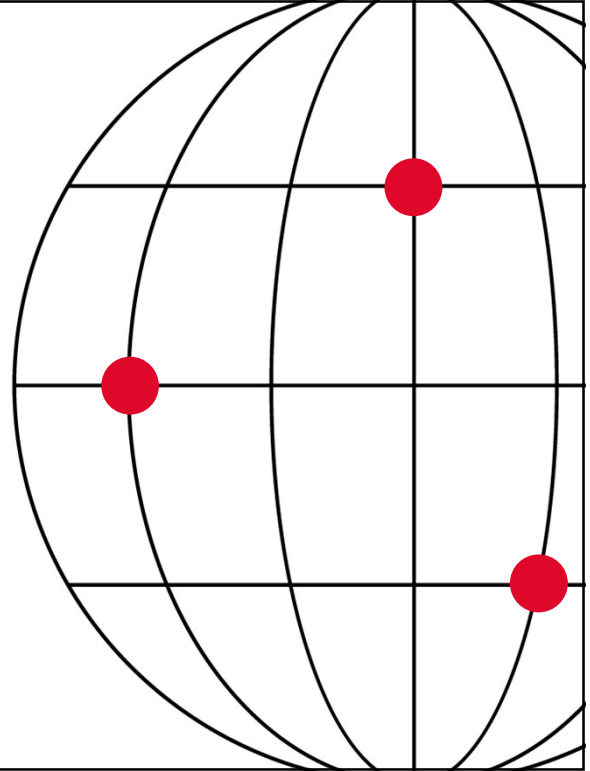
of stories: 10

Square Footage: 115,145 (\$434/sq.ft)

100% Sprinklered

Manual Rating

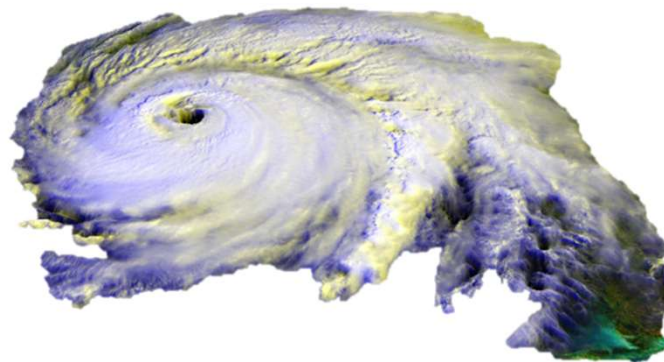
- Total Insurable Values: \$50,100,000
- Perils: Fire/Water Damage/All Other combined + Named Windstorm
- Fire = .15 rate
- NWS = .75 rate
- Fire Premium: $(50,100,000 / 100) = 501,000 \times .15 = \$75,150$
- NWS Premium: $(50,100,000 / 100) = 501,000 \times .75 = \$375,750$
- Total Premium: $75,150 \text{ (Fire)} + 375,750 \text{ (NWS)} = \$450,900$



 SOMPO

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Catastrophic Risk Modeling Tool



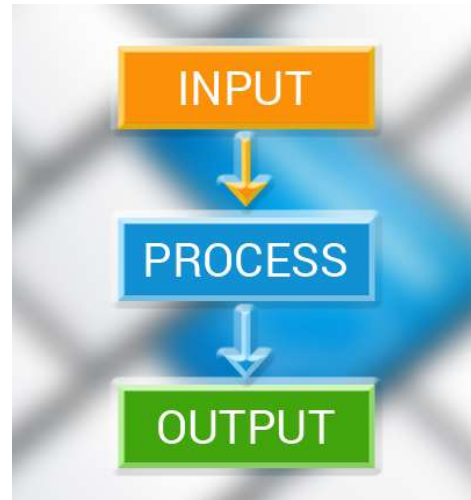
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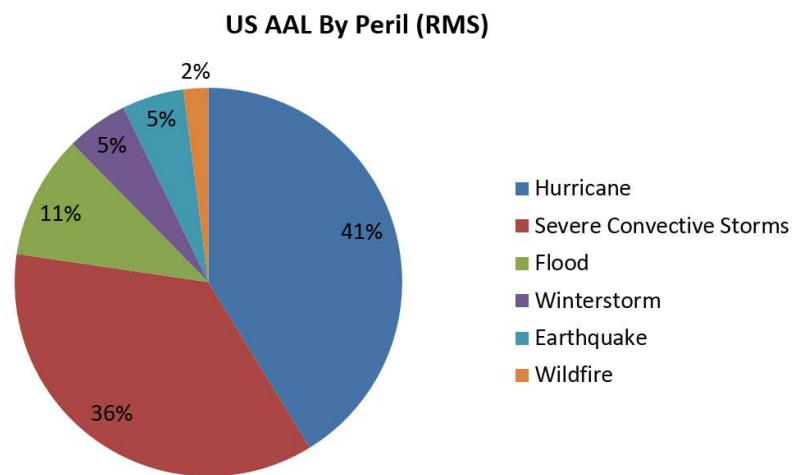
Inputs into the Model

- Address
- Physical characteristics of the risk
- Coverages – limits, values, deductibles, etc.
- Perils



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Catastrophic Risk Modeling Tool



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Reasons for CAT Modeling



Risk Assessment
and Loss
Estimation



Pricing



Monitoring of
capacity and
aggregates



Analyzing losses
in real time



Regulatory
compliance



Hawaii Insurance Marketplace

Atlas Insurance Agency Elaine Panlilio



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Limited Options for Hawaii Condos

Only 3 Admitted/Licensed Carriers that actively write condo master property policies

1. First Insurance Co. of Hawaii and Philadelphia Insurance (under Tokio Marine Group)

- ✓ only writing concrete buildings 1990 and newer with fire sprinklers and under \$100 million
- ✗ no wood frame

2. Fireman's Fund (under Allianz Group)

- ✓ only writing concrete buildings 30 years and newer with fire sprinklers

✗ no wood frame

✗ stopped writing new business since 2023

➡ 2023 instead of pulling out of Hawaii, only providing Hurricane coverage at \$25 million per association; retained around 400+ condo associations in Hawaii

➡ 2024 only providing \$10 million Hurricane coverage per association

3. DB (Dongbu) Insurance

- ✓ only writing joisted masonry and concrete buildings (with fire sprinklers and without)

✗ no wood frame

➡ after the 2023 Maui wildfires, instead of pulling out of Hawaii, non-renewed wood frame condos starting June 2024



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Limited Options for Hawaii Condos

Only 3 Admitted/Licensed Carriers that actively write condo master property policies

4. State Farm Insurance

✓ Only have a small handful of condo associations that are “grandfathered-in”

✗ Stopped writing condo associations after Hurricane Iniki

5. DTRIC Insurance

✗ Stopped writing residential condos around 10 years ago

✗ Stopped writing commercial condos and commercial buildings in 2024



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Limited Options for Hawaii Condos

Why are there no other admitted insurers in Hawaii willing to write condo associations?

- **High Catastrophic Risks** – exposure to hurricanes, wildfires and volcanic activity
- **High Reinsurance Costs** – insurers rely on reinsurance to manage risks and increase their capacity.
- **Loss History & Claims Severity from condo associations**
- **Limited Market Size** – Hawaii is a relatively small market compared to mainland states. The volume of business may not justify the risk exposure and operational costs for many insurers.



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Hawaii's Hard Market

How to Navigate

Presented by:
Sue Savio
Insurance Associates, Inc.
March 14, 2025

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Agenda

- What is a hard market?
- How to best deal with a hard market
 - Selecting the right agent
 - Items underwriters care about
- Legislative actions to address the hard market
 - CPACER
 - Governor Green's Emergency Proclamations
 - 2025 Legislative Session

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What is a Hard Market?

- A hard market is the upswing in the insurance market cycle, when premiums increase, coverage terms are restricted, and capacity decreases.

Hawaii's Hard Markets

- Property - after Hurricane Iniki (September 1992)
- Property - after Hurricane Katrina (August 2005)
- D&O Liability - 2018 thru 2021
- Property - after Lahaina Fire (August 2023)

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Hawaii's Hard Market 1992

- Hurricane Andrew caused \$27B losses in Florida
- Hurricane Iniki caused \$3.1B of losses
- **1992 was a record year for disasters in the United States with 7 Billion-Dollar Disaster events.**

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Hawaii's Hard Market 2005

Hurricane Katrina

- For all United States hurricanes, Katrina is the costliest storm on record at \$201.3 billion
- In 2005 America had 6 *Billion-Dollar Disaster* events totaling \$268.B in losses.

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Hawaii's Hard Market 2021

- Hawaii's problem

Directors & Officers

- Non-Judicial Foreclosures
- Discrimination
- Breach of Contract

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Hawaii's Hard Market 2023

- Lahaina wildfires attributed to dry, gusty conditions created by a strong high-pressure area north of Hawaii and Hurricane Dora to the south
- \$6.9B of losses – insured losses closer to \$5.5B
- Rates increase 300 - 500% on the average for non-concrete condos
- Rates increase 100 - 200% for concrete condos

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How to handle the hard market

The players...

- **Companies** – they pay the claims
- **Brokers** – represent many non-Hawaii companies
- **Agents** – represent you the consumer

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Hawaii's Companies

- Fireman's Fund/Arch
- First Ins Co of Hawaii
- State Farm
- DB

- AIG-Lexington
- Lloyds of London

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The Brokers

- Represent many companies
- Sell coverage of companies world-wide
- *Surplus Lines* carriers or the *Secondary Market*
- Works with your local agent

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The Agents

- Experience
- Credentials
- Ability and availability to respond when necessary
- Commitment to the local market
- Know your business

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How to Choose an Agent

Work with an agent...

- Who is knowledgeable about your business
- Who you like and is efficient
- Returns your calls/attends your meetings

- Do not sign an AOR to test the market

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Underwriters Perspective

- Life safety
- Maintenance
- Upgrades –roof, electrical and plumbing
- Reserves
- Distance to Ocean

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Legislative Help 2025

Task Force Established

- The State can loan up to \$60M in general funds to Hawaii Property Insurance Association (HPIA) and Hawaii Hurricane Relief Fund (HHRF) for start up costs and to facilitate issuance of hurricane and property insurance for condo associations
- Allows HHRF to issue hurricane policies for large condo buildings and set its own limits
 - August 7, 2024
 - October 4, 2024
 - December 3, 2024
 - January 31, 2025
 - April 1, 2025 (Likely)

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Conclusion

- No simple answers
- Can't control the climate so control the risk
- Maintain your complexes
- Hard market is softening

Mahalo!

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Q&A

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Save the Date

Disaster Preparedness

Are you ready for an emergency? Whether you're a Resident Manager or an Owner, having a well-prepared response plan can be crucial in protecting lives and property.

**RESIDENT MANAGERS WE WILL BE RAFFLING AN
EMERGENCY PREPAREDNESS KIT!**

 **Date: April 11, 2025**

 **Time: 9:00 AM - 1:00 PM**

 **Location: King K Golf Course**



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Join us to learn about:

- ✓ CERT (Community Emergency Response Team) Training
- ✓ New MEMA Alerts – Stay informed with the latest emergency notifications
- ✓ Evacuation App & County Evacuation Maps/Centers – Know where to go when disaster strikes

Featured Speakers:

- ◆ Amos Lonokailua-Hewitt – Director of Emergency Management
- ◆ Eden Stewart – Public Information Officer
- ◆ Cherish Adamson and Everett Balmores– CERT Director
- ◆ Jeff Roberts – Resident Manager, The Ironwoods

2025 Save-the-Date

April 11

Disaster Preparedness

Summer 2025

Hot Topics – Date TBA

September 5

Legislative Update

October 10

Structural Hazards

November 21

Annual Trade Show

"Helping To Build Stronger Community Associations on Maui"

Mahalo to our 2025 Platinum Sponsors



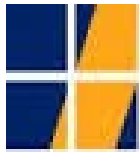
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Flood Pro Hawaii



Hawaiian Telcom



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Ikehu Utility Solutions



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Kasdan Turner Thomson
Booth LLC



Kawika's Painting, Inc.



Kokua Realty LLC



Maui Disposal



Porter Kiakona Kopper LLP



Premier Restoration HI

"Helping To Build Stronger Community Associations on Maui"

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The logo for SageWater features the word 'sageWater' in a blue, sans-serif font, with 'sage' in lowercase and 'Water' in title case.

sagewater.com/hawaii

Sagewater



Structural Concrete Bonding
& Restoration Inc.

The logo for Spectrum Community Solutions features the word 'Spectrum' in a large, bold, blue font with a blue arrow pointing right. Below it, 'COMMUNITY SOLUTIONS' is written in a smaller, blue, sans-serif font.

Spectrum



Waste Pro Hawaii LLC

Mahalo to our Gold Sponsor: Monarch Insurance Services



monarch
INSURANCE SERVICES

ACRISURE® PARTNER

Mahalo to the following March Seminar Sponsors:

Breakfast Pastries



Audio/Visual



MARKEL

Seminar & Lunch

CRC SPECIALTY



**First Insurance
Company of Hawaii®**
A Member of the Tokio Marine Group

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!