

Insurance: What Condos Should Know

Chason Ishii, president of Atlas weighs in on the industry's hot topics: comfort animals, sexual harassment, cybercrime, and fire safety

BY DON CHAPMAN

It's been said that without insurance nothing gets done, nothing gets built and nobody buys a condominium or goes to work in a commercial building. As the largest insurance agency in Hawaii, Atlas Insurance Agency—founded here in 1929—is involved with getting a lot of things done, built and resided and worked in.

“We’re a full-coverage insurance brokerage,” says Chason Ishii, president of Atlas since 2015. “We have our commercial lines group that is really business-to-business. We have a construction and surety specialty group. The third sector is our employee benefits consulting group. Fourth is our AOA, in which we support condo associations here in Hawaii. And last but not least, our personal lines.”

BMH was especially interested in the AOA side when we sat down to talk in Atlas’ downtown Honolulu offices.

“Currently we have more than 200 AOAs we support, statewide. We have offices on each island,” says Ishii, who previously served as president of Coldwell Banker and then as president of HHL Holdings, parent company of Honolulu Home Loans.

“We partner closely with the property managers, because it starts a lot with them. Our job really is to educate the property manager, the resident manager and the board about the trends in insurance, and find solutions to minimize exposure and risk.”

That has recently included responding to new rules for older condos built without sprinkler systems, based on the passage of the city’s Bill 69. To address myriad questions from AOAs, Atlas held a public panel discussion that included City Council member Carol Fukunaga, Battalion

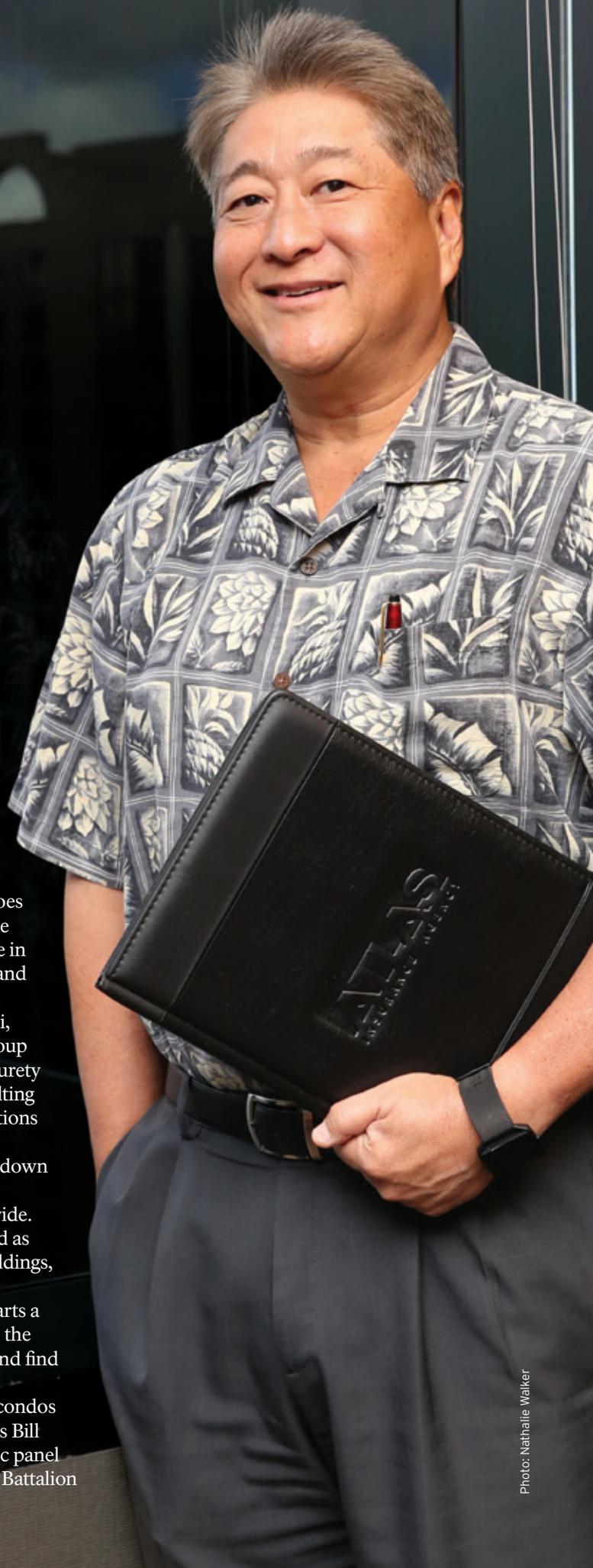


Photo: Nathalie Walker

Chief Wayne Masuda of the Honolulu Fire Department and Sharilyn Tanaka of Atlas, among others.

Says Ishii: “There were a lot of questions and concerns, what do you mean about getting a life-safety evaluation passing score? How do we go about that? How do we know we’re compliant with the new law? And who needs to be compliant, what are the parameters and is it all condominiums or just some?”

Then last month Atlas hosted another seminar, on dealing with service vs. comfort animals.

Comfort Animals

“What are the differences, if any?” Ishii says. “And what are the rights of the AOA and the residents? And how can they protect themselves in how they handle the situation? It falls under the Fair Housing Act, which basically says you can’t differentiate between a support-comfort animal and a service animal. Which puts AOAOs in a difficult situation. But what they can do is look at the behavior of the animal. For example, AOAO house rules may say there is no swimming after 10 p.m. or no loud noises can occur after 10 p.m. That’s a behavioral thing. So potentially you can look at animals in the same way. Service animal, comfort animal, what we expect is there is no barking. We expect there is no defecation on the property. They can put this in the house rules, and say this is for all animals.

“These are the kinds of valuable topics we’re trying to educate AOAOs on. What can you do as an AOAO? That’s our role, to keep them on the forefront, understand what are the new issues.”

He says Atlas is already planning other presentations, both public seminars as well as podcasts, “that will be hot topics for AOAOs.”

#MeToo

The first is EPLI, or “employee practice liability” insurance.

“It’s really important for the #MeToo movement,” Ishii says. “It’s about how men and women interact in the workplace. The lessons learned are about an employee’s right to be safe in a harassment-free environment. Maybe it’s the maintenance guys hired by the AOAO, or it may be your own employees. Are you protected properly, are you training



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your people on what they can and cannot do, and how they should be treating other employees, contractors and residents? This is something we're finding in not just AOAOS, but all businesses. There is a definite trend of more claims in this area. And it's not just claims that are happening today—it could be claims (from something) that happened years ago. There are sensitivity issues we need to educate people on.

"This is where education is so important to me. That's the difference between Atlas and other insurance companies. Most are really there to say these are the coverages we have, just sign here."

The other big trend Atlas sees is cybercrime, says Ishii:

Cybercrime

"You might say, how does cyber affect AOAOS? Cyber is not a matter of if but when. Cyber in Hawaii can be a very costly. We do not have the cyber expertise in Hawaii, we have no forensic people here who can do a high-level job, and we don't have the cyber legal that can help people with cyber breaches. From an insurance perspective, we see it happening literally daily with claims coming through. And we're not just talking about ransomware, cyber breaches, we're seeing big breaches.

"With AOAOS today, they actually have websites where owners can pay maintenance fees. And they have vendors they pay online. And especially with some of the newer high-end buildings, they have all the owners' information with photos. With a cyber breach, once it's breached, they can grab all this information and sell or utilize it. A lot of condominiums and AOAOS don't think about it, they just say we don't need cyber, we don't do e-commerce. But it may not be e-commerce, there's lots of other information there."

He cites the cyber breach at Target, which actually happened through a vendor.

"They're so sophisticated today," he says of cyber criminals. "It's amazing how they can get into an organization. Once you open that e-mail, they're in. AOAOS may not be aware of the

importance of cyber, or what kind of coverage they should have. And this is where our second part of education occurs. A lot of general liability insurance policies, what they call overall umbrella coverage, include cyber as part of the program, but it's a throw-in, you have \$10,000 in cyber coverage. Ten thousand is nothing when it comes to cyber breaches, because there's the forensic work, a complex notification process and legal costs you have to pay for. And then you find out these credit cards got breached, you have to settle with the banks. You may have civil lawsuits saying this breach put me at harm, so they do lawsuits (demanding) 'I want you to now have credit check organizations attached to my card going forward. I want credit monitoring for anybody in your system, ongoing.'

"So when you talk about cyber, it could be more far-reaching than owners being breached."

Ishii also has advice for individual board members:

"I think the one thing AOAOS boards need to be concerned about, their fiduciary duty is on behalf of the entire ownership of the building. And what you see a lot of times, they don't realize they could personally be at risk if they don't do their fiduciary duty at the highest level. So for us, we always say every couple or three years, like the federal government has Sarbanes-Oxley, you do an entire assessment of your insurance program. And I don't mean going back to your incumbent (agent) and say, can you check to see if we're covered? I'm talking about truly opening it up and doing a documented audit or assessment, bring in other agencies as well and see what's out there for AOAOS insurance. I think what happens, (friendly and personal) relations are sometimes gained between the incumbent and the board, and boards sometimes tend to miss an opportunity to really look at it. Because things change. The world is changing.

"New laws are coming out daily—514.b-11143 (Hawaii Revised Statutes) requires that if there is a loss, you have insurance for 'full replacement value.' And that you must bring it back up to current code. It's not just the value of the building, but you need to bring the building up to current code—electrical code, plumbing code, fire code.

Older buildings especially, in case of loss they need enough insurance because they're going to have to do code, not just value. That's why every three years or so you need to evaluate everything again—are your values correct? Valuations go up. So you can go back to the board, to the owners, and say, we did our fiduciary duty."

Though he's relatively new to the insurance business, Ishii says it's a good fit for him:

"When you look at businesses (including condo associations) and insurance, it's really helping companies through partnerships. With insurance, you're there not only to protect but also mitigate risk. To do that, you really have to be involved with the organization you're working with, take a look at all parts of it, both strategically as well as what are their growth plans, what is their current scenario. And then from an insurance perspective, it will allow you to put together the right solution. That's what attracted me to insurance, it's something I enjoy. Because of my business background, I view it differently than just an insurance perspective."

Ishii's business career is remarkable, one might say meteoric, much of which he attributes to having "probably the best mentor anyone could have. I was hired right out of college, UH-Manoa, by the late George Fukunaga at Servco. George mentored me, I owe a tremendous amount to him for his ability to sit down with me constantly to talk business and how to look at decisions, how to look at organizations, how to look at communities. He even sent me to Harvard University Graduate School of Business, Servco paid for it. That was all George Fukunaga. He was the one who consistently challenged me but who consistently coached me. That's how I started my career. I was very fortunate."

Ishii is "a very proud public school graduate, Castle High School." His local roots naturally inform decisions he makes at work.

"I believe that in business today it's all about people, and understanding we are in Hawaii," he says. "It's a very small place. And how you treat and work with people, in the right value system, is invaluable. Regardless of what career path you take, as long as you treat people in the right manner, both in the business community and out, you'll always be successful."