

HAWAII

Towards a Sustainable, Resilient and Responsible Development

By diversifying its economy, addressing local needs, investing in renewable energies, and redefining its tourism offer, Hawaii is transforming itself and strengthening its regional role as a natural leader in the Indo-Pacific.

Like many other Pacific islands, Hawaii is at the forefront of global concerns related to climate change, socioeconomic sustainability and population migration. What sets the island-state apart, however, is its commitment to addressing these issues and becoming a regional benchmark for sustainable and responsible development. In recent years, especially in the wake of the COVID pandemic and climate crises such as the Maui wildfires of 2023, Hawaii has redoubled its efforts to build a more resilient economy that is less exposed to the short- and long-term risks inevitably related to these global issues, as well as to the particularities of being a small and open island economy. Thus, a main focus has been to promote diversification and support locally based businesses in order to overcome its traditional dependence on tourism, which has resulted in low real GDP per capita growth in the last decades and volatility in response to shocks.

Therefore, Hawaii has supported several key industries to drive innovation, investment and long-term resilience. For one, it has stood out for its promotion of renewable energy. Nearly ten years ago, it became the first U.S. state to commit to a carbon-negative future with its pioneering Hawaii Clean Energy Initiative, which requires utilities to produce 100% of their energy from renewables by 2045. Today, Hawaii has the most rooftop solar panels installed per person in the country, is on track to reach the milestone of generating 40% of its electricity from renewables by 2030, and ranks third in electric vehicle adoption in the U.S. Over time, the state's wind, solar and battery storage industries have become a major source of employment, with more than 4,300 jobs by 2022. Geothermal energy and green hydrogen represent an important growth market too, as the state is pursuing exploratory geothermal drilling on the Big Island, Maui and O'ahu, and green hydrogen opportunities through its Hawaii Pacific Hydrogen Center, a state and private sector consortium that aims to replace diesel and other petroleum products in heavy equipment, ships and aircraft.

Other industries that align with Hawaii's traditional strengths while offering potential for diversification are underdeveloped niche sectors such as ocean-based industries like finfish and shellfish fishing, farming and hatcheries, boat building, port operations, and seafood preparation and packaging; agriculture, especially high-value crops like Kona coffee or Maui macadamia nuts; local retail of apparel, jewelry, and general merchandise; water transportation, particularly

marine cargo handling and coastal freight industries; and video production and distribution, which currently generates over \$400 million in annual revenues and supports over 4,000 jobs, but could expand much further as most post-production work is done off-island due to a lack of studio space. As such, the government plans to build a \$250 million film studio in Honolulu that is expected to enhance the Hawaiian film industry and create hundreds of high-paying jobs.

Nevertheless, as recently highlighted by UHERO, the University of Hawaii Economic Research Organization, while these industries have great potential for growth, they have consistently failed due to inadequate infrastructure, shortages of skilled personnel, and overall affordability crisis, which are being addressed by the current administration with major investments in basic water supply networks, roads and other housing-enabling infrastructure; the construction of more than 10,000 affordable housing units; reducing taxes on commodities such as food; promoting educational programs and internships that develop local talent and strategic sectors; and providing incentives to hire and retain public workers, especially natives. Additionally, Hawaii plans to create its first State Infrastructure Bank, an alternative source of low-cost gap financing that could support larger-scale infrastructure projects, issue grants, discounted loans and bonds, and become a catalyst for other sources of capital, including private investors.

The Hawaiian tourism sector is also following the state's diversification and sustainability trend by rebranding itself as a tourism and MICE destination for conscientious, respectful, high-value travelers who understand the importance of sustainability and responsible tourism, and are willing to spend on specially selected services that promote these values. In this way, the Hawaii Tourism Authority wants to reshape the popular perception that Hawaii is nothing more than the "playground of the Pacific," but "a unique place with a fragile ecosystem, a rich welcoming culture and a multi-ethnic population united by the aloha spirit." The state also aims to revive key markets for international travel, such as Japan, with whom it is discussing a travelers' pre-clearance program to save time at Honolulu airport; as well as Australia, New Zealand and China, among others.

Despite its current challenges, Hawaii's efforts to address major environmental and social issues and build a more diversified economy are making it a model for sustainability, renewable energy and responsible tourism for other U.S. and Pacific Island states. ■

Innovative and Customized Insurance Solutions for Hawaii's Evolving Business Needs



MARTIN WELCH, CEO

In only 27 years, HEMIC has become Hawaii's preferred Workers' Compensation insurer thanks to their ongoing technology-friendly approach, diversified portfolio, and adaptability to meet industry challenges.

"Our emerging digital world is creating opportunities for game-changing shifts in how businesses and consumers purchase insurance and how insurance companies more effectively deliver on their promises," says Martin Welch, CEO of HEMIC. As a relatively young company with an innovative, technological spirit, HEMIC has benefited from entering their market paperless and data-driven, while many of their competitors were carrying legacy systems into the 21st century.

This approach has enabled HEMIC to become Hawaii's largest workers' compensation insurer, writing more than \$100 million in premiums and serving almost 7,000 Hawaii businesses and their nearly 75,000 employees. In addition, as the only 100 percent locally owned, mutual insurer in the islands, they have returned \$53 million in dividends to policyholders. "We have accomplished this using state-of-the-art systems and leveraging massive amounts of data to underwrite and price policies competitively and to facilitate efficient claim handling," says Mr. Welch.

HEMIC's stability and success are driven by their business diversification. Focused on providing expert, high-quality services to the full range of Hawaii businesses and creating solutions for Hawaii's emerging needs, they have developed a portfolio of insurance and risk management offerings through HEMIC and its two wholly owned subsidiaries: Employers' Protective Insurance Company (EPIC), which offers temporary disability insurance using a novel approach based on industry-specific pricing; and HEMIC Insurance Managers, Inc. (HIMI) which brokers all other commercial lines of insurance, offers safety and risk management consulting services, and is launching a full-service third-party claim administration division to provide customizable TPA services to self-insured entities and captive insurers.

As HEMIC continues to expand their offerings to help make large and small businesses more productive, their vision for the future is to embrace technological change, innovate to meet the evolving needs of businesses and consumers, and provide affordable economic security in a competitive market where buyers can make the best choices for their needs. After all, as Mr. Welch says, "we can either look ahead or fall behind." ■

