STANDARD & POOR'S Global Credit Portal
RatingsDirect

Research

Hawaii; Appropriations; General Obligation

22-Apr-2011

Current Ratings

Credit Profile

Hawaii GO		
Long Term Rating	AA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA' long-term rating and underlying rating (SPUR) on **Hawaii**'s general obligation (GO) bonds and its 'AA-' long-term rating on the state's certificates of participation (COPs). The outlook on all ratings is stable.

The 'AA-' COP rating reflects our view of Hawaii's:

- Annual appropriation risk,
- Covenant to budget and appropriate lease payments for the life of the certificates, and
- General credit characteristics.

The 'AA' GO rating reflects our view of:

- Governor Neil Abercrombie's willingness to implement aggressive solutions to balance the fiscal 2011-2013 biennial budget in light of lower general fund tax revenue forecasts, including proposed revenue and expenditure solutions totaling $244 million for fiscal 2011, $626 million for 2012, and $692 million for 2013, the combined impact of which is projected to rebuild reserve levels to $346 million, or 6% of expenditures, by 2013;
- Management's well-established, proactive budget monitoring practices, including frequent revenue forecast updates from the Council on Revenues, which facilitate prompt identification of potential budget adjustments for budget alignment;
- The governor's executive authority to restrict all executive branch expenditures, such as by cutting spending midyear without legislative approval, or cutting or delaying education disbursements during the course of a fiscal year;
- Other strong constitutional protections, which require budget balance, allow for tax increases with legislative approval, and give GO bonds first-lien priority before all other disbursements; and
- Various economic metrics that indicate that Hawaii -- despite its slower-than-expected economic recovery -- has fared better than most states during the recession and recovery. Its unemployment has remained relatively low, its mortgage exposure is limited, federal funding is strong and increasing, and signs indicate that tourism trends are stabilizing or turning positive despite the recent events in Japan.

Partly offsetting the above strengths is our view of:

- Numerous (13) downward revisions of projected tax revenue growth by the Council on Revenues since March 2008, given the state's economic downturn and sluggish recovery;

- A trend of declining reserve levels given weakness in general fund revenues, with an audited unreserved fund balance (generally accepted accounting principles, or GAAP, basis, not including outside reserves) of negative 2% for fiscal 2009 versus 12% in fiscal 2008, 20% in fiscal 2007, and 25% in fiscal 2006, and an estimated 0% for unaudited fiscal 2010 and projected for 2011;
- The state's proposed complete exhaustion of the designated reserve levels outside of the general fund in fiscal 2011 to balance the budget and for other purposes, including full use of the state's $62.5 emergency and budget reserve (EBR) fund and $184 million hurricane relief fund;
- The state's reliance on tourism from both U.S. and international visitors, including Japan, and declines in tourism-related metrics and revenues, construction spending, and other related economic activity, which have reduced general fund tax revenue growth rates and employment levels; and
- The low-funded status of the state's retirement system, lack of funding of the state's other postemployment benefits (OPEB) liability, and overall debt ratios considered among the highest of all U.S. states.

All GO bonds are secured by the State of Hawaii's full faith and credit, which the state considers the highest priority in payment.

State revenue performance remains sluggish, given slower-than-expected economic recovery and the delay of income tax refunds in fiscal 2010. In addition, tourism, although showing signs of stabilization and modest growth, continues to trail 2007 and 2008 levels, and given the significance of the state's leisure and hospitality sector for jobs and tax generation, revenues are depressed. Hawaii's Council on Revenues' revised forecasts provided during September 2010 through April 2011 have resulted in several downward revisions in projected tax revenues for the state, for a total impact of $425 million in revenues for fiscals 2011-2013. With the two most recent council forecast updates, the total 2011-2013 gap has grown to $1.25 billion.

Governor Abercrombie is proposing to the legislature closure of the fiscal 2011 gap mainly through the exhaustion of the state's reserves held outside of the general fund, including use of the entire balance of both the Hawaii Hurricane Relief Fund (HHRF; $121 million balance) and the EBR fund (or "rainy day" fund; $46 million balance). These alone would cover $167 million, or 78%, of the $215 million shortfall. Various measures to close the fiscal 2012 and 2013 budget gaps include the repeal of the state tax deduction, a pension tax, limitations on standardized deductions on tax returns, a suspension of general excise tax exemptions and imposition of a 4% tax, a capping of county hotel tax revenues, an increase in rental car daily surcharges, labor savings, and a reduction in services. If passed, these proposals would build the state's ending fund balance on a budgetary basis to 2.6% in 2012 and 5.7% in 2013.

Hawaii's debt burden is in our view high, with approximately $4.9 billion of state GO and COP debt, translating to $3,606 per capita.

Based on the analytic factors we evaluate for states, we have assigned Hawaii a composite score of '1.9' on a four-point scale where '1' is the strongest.

Outlook

The stable outlook reflects our view that Hawaii's proactive budget management techniques will result in manageable out-year gaps that state officials will successfully resolve, while rebuilding reserves to levels appropriate for the rating. The state's budget management over the 2011-2013 biennium, a period that will be characterized by a challenging and uncertain revenue environment, in our view, will be critical to maintaining the rating, particularly in light of what we consider to be optimistic revenue growth assumptions. In our opinion, the state's strong constitutional protections and the governor's executive authority to restrict all executive branch expenditures, such as by cutting spending midyear without legislative approval, provides us with credit comfort at the current rating level. If actual revenue growth is significantly below the state's projections or if the state is unable to further reduce spending, the rating could come under pressure. Upside in the rating is substantially reliant on the state's ability to reduce its debt burden and its reliance on tourism.

Governmental Framework

Hawaii's constitution requires that the state operate on a balanced budget, including on an intrayear basis, as revenues and expenditures are monitored throughout the year and necessary adjustments are made to ensure that general fund expenditures do not exceed current general fund revenues and unencumbered cash balances. There are no constitutional restrictions on the state's ability to raise taxes or other revenues, but property tax authority rests with the counties. Approval of taxes is by simple majority vote of the legislature, and the legislature has broad legal latitude to adjust spending levels. The governor has authority to restrict all executive branch expenditures and has executive authority to cut spending midyear without legislative approval, such as by cutting or delaying spending on education, but in practice this is politically difficult.

Hawaii is not a voter initiative state, and no vote is required to issue GO bonds or for tax increases. GO bonds in Hawaii have a first-lien status, prior to all other payments, and the issuance of GO bonds must be authorized by a majority vote of the legislature. Several debt limitations are in place, including an 18.5% cap on debt service as a percentage of revenue, a maximum 25-year amortization, and a disallowance of variable-rate debt or derivatives.

The State of Hawaii is highly centralized, and, as such, the level of assistance to local governments is high. The state directly runs the public school system, as well as the university and community college systems. It also administers the public welfare system, and operates prisons, harbors, and airport systems. The county functions are primarily property related (police, fire, streets, water, sewer, and parks).

On a four-point scale where '1' is the strongest, we have assigned a score of '1.7' to Hawaii's governmental framework.

Financial Management

Financial Management Assessment: 'Strong'

We consider the state's management practices "strong" under our Financial Management Assessment (FMA) methodology. An FMA of "strong" indicates our view that practices are strong, well embedded, and likely sustainable. Among the highlights of the state's management techniques are statutorily required six-year operating and capital budgets that are updated by the governor and finance staff annually for legislative approval. The Council on Revenues, an independent body, provides quarterly revenue and expenditure measures and forecasts for inclusion in the biennial budget, budget updates, and the multiyear financial forecast. State finance staff identifies budget variances monthly, and the governor is empowered to curtail expenditures without legislative approval, if required. The finance staff and treasury adhere to an official investment policy, and investment performance is disclosed monthly. There are statutory debt caps, including a calculation to ensure that the total amount of debt service payments required will not cause the state to exceed its debt limit of 18.5% of general fund revenues. State law requires that all state debt begin to amortize principal within five years of issuance, mature within 25 years, and have level principal and interest payments, and disallows variable-rate debt or use of swaps or other derivative products. The legislatively created EBR fund provides for a small, controlled emergency fund, but there is no formal or informal target or policy for the size of this reserve, and likewise for the state's GAAP unreserved fund balance.

Budget management framework

The Council on Revenues, a seven-member, independent revenue forecasting body, prepares revenue forecasts at least quarterly, but also in special sessions when fiscal conditions warrant. The executive branch and legislature are required to consider the council's estimates in the budget process. Should a different forecast be used, this development and the rationale must be publicized.

Spending is controlled through an allotment system, and the Department of Budget and Finance monitors expenditures throughout the year. Budget adjustments are implemented periodically throughout the fiscal year as the state deems necessary. Restrictions can be implemented at any time, but are usually imposed at the beginning of the fiscal year. Adjustments requiring legislative action are handled during the legislative session, which begins shortly after the start of the third quarter; in extraordinary circumstances a special legislative session may be called. The governor has unilateral authority to restrict spending of the executive branch. Legislative approval is required to authorize spending, to impose new taxes, or to increase existing taxes.

Although the state has demonstrated willingness to provide timely -- and structural -- budget solutions when confronting previously projected budget deficits, the current executive plan from the governor suggests that corrective actions for 2011 will focus mainly on the use of reserves. For fiscals 2012 and 2013, deficit-closing solutions are more structural. Deficits are not carried forward, but soft revenue performance and an expiration of the previous solutions contribute to a projected shortfall of revenue compared with baseline spending trends, necessitating either adjusted service levels or enhanced revenues for the upcoming biennium.

On a four-point scale where '1' is the strongest, we have assigned a score of '1' to Hawaii's financial management.

Economy

After sustained economic expansion in 2003-2007, when many sectors performed at record levels, Hawaii's (population 1.3 million) economic trends decelerated and, in many cases, turned negative in 2008-2010. However, some positive trends are emerging and some economic metrics indicate that the state was relatively more resilient than the national economy during the recession. Job counts fell 1% in 2008 and another 3.4% in 2009, but only a slight 0.4% in 2010. For the first two months of 2011, job counts are up 1.5%, and February job growth of 1.7% was the highest since March 2007. Officials are conservatively projecting 1.3% job growth in 2011 as a whole. However unemployment, at 6.3% in February 2011, was still well below the national rate of 8.8%, and the state's 2010 rate of 6.6% was the seventh-lowest in the nation. Since 2003, Hawaii's unemployment rate has generally been 2%-3% below the national rate. Personal income historically has shown steady growth, but was virtually flat in 2008 and 2009 and has since shown growth in 2010 and 2011. The state's median household income is what we consider strong at 121% of the national average, and per capita personal income is a strong 9% above the national average.

Robust construction activity had spurred job growth during the past several years, but activity has slowed to levels seen in 2003-2004. However, unlike many markets, the Hawaii housing market experienced only a moderate housing decline: The median home price in the Oahu market fell just 3% in 2008 and 7.9% in 2009, and rose 3.1% in 2010. The median home price was $630,000 in 2006, and dipped to a low of $570,000 in 2009, but this decline of 9.5% was much less than most other major comparable markets, including Miami, San Diego, Orlando, and Las Vegas. Governmental contracts have also resumed growth after a 17% decline in 2009, growing 36% in 2010.

Where Hawaii's economy remains most vulnerable, and perhaps where it has been most affected, is tourism, an industry that is currently weak due to reduced consumer spending, job losses, the recent seismic and tsunami events in Japan, and competitive marketing campaigns from multiple tourism destinations (e.g., Las Vegas). Swings in tourism trends affect excise and income tax collections, given that leisure and hospitality is one of the state's leading employment sectors at 17.3%, versus the U.S. average of 9.8%. Visitor arrivals declined 10.9% in 2008 (versus 12.2% for the U.S.) and 4.5% in 2009, but a moderate 8.7% rebound occurred in 2010. Prior to the March 11 earthquake in Sendai, Japan, officials had projected visitor arrivals to grow 4% in 2011, but revised figures indicate growth will be 2%-3%. Japan accounted for 18% of visitor arrivals in 2010, whereas the U.S. accounted for 65%, including about 25% from California alone. Despite that several airlines reduced flights to and from Japan due to the natural disaster, with a projected 10.5% reduction in April-June 2011, scheduled air seats are still projected to grow 2% in the first half of 2011. Japan Airlines cut one of its six daily flights to Japan, but recently announced plans to restore the cut flight for most of May 2011. Management expects positive growth for the calendar year, mainly due to strong trends realized in the first two months of 2011, when visitor arrivals increased 11.9% year over year. Hotel occupancy fell to 64.8% in 2009 from 70.5% in 2008, but rebounded to 70.7% in 2010 and is at 78% for the first two months of 2011, including 81.7% for February 2011 alone, which was above the 2005 peak. However, occupancy rates are expected to decline in light of decreasing numbers of visitors from Japan. The average room rate for 2009 was $174.33, down from $177.10 in 2009, but rose to $191.18 for the first two months of 2011. Visitor spending, after declining 12.3% in 2009, rose 16% in 2010 and is forecast to rise 7% in 2011 (also adjusted downward, from 9.2%, given the events in Japan).

Population growth over the past 10 years has been robust, with 12.3% overall growth to 1.36 million people, above the 9.7% rate recorded for the U.S. Hawaii GDP growth has generally been stronger than that of the U.S. during 2006-2009, with the exception of 2008, and GDP per capita was 9% above the U.S. average in 2009.

On a four-point scale where '1' is strongest, we have assigned a score of '1.5' to Hawaii's economy.

Budgetary Performance

Despite a challenging economic and revenue environment, we view the state's financial performance as strong. Budget pressure nonetheless persists as a result of expenditures that are outpacing cumulative revenue declines, but management expects various recurring budget solutions for 2012 and 2013 to solve these large budget gaps. Heavy economic reliance on the service sector -- the leisure and hospitality sector -- subject a considerable portion of the state's revenues to dependence on discretionary consumer spending and tourism. Although revenues have followed a declining trajectory, ascending social service needs and increasing caseloads have put upward pressure on spending.

Part of the state's strategy is to improve employment and construction spending through the maintenance of high levels of capital improvement program (CIP) spending. State capital spending has averaged more than $1 billion annually since 2007, significantly above spending levels in 2000-2006, and management expects this level of expenditure to continue.

Recent budget solutions to deficits

State revenue performance continues to be sluggish, given slower-than-expected economic recovery and the delay of income tax refunds in fiscal 2010. In addition, tourism, although showing signs of stabilization and modest growth, continues to trail 2007 and 2008 levels. Hawaii's Council on Revenues, an independent body, provides quarterly revenue and expenditure measures and forecasts for inclusion in the biennial budget, budget updates, and the multiyear financial forecast. Its revised forecasts provided during September 2010 through April 2011 have resulted in several downward revisions in projected tax revenues for the state, for a total impact of $425 million in revenues for fiscals 2011-2013. In April 2011, the most recent revision, the council lowered its forecast for tax revenue growth in fiscal 2011 to negative 1.6% from 0.5%, but maintained its previous forecast growth rates of 11% for 2012 and 6% for 2013. This special, unscheduled meeting was held to capture new information, particularly that related to the March 11 seismic and tsunami events in Japan. At its previous meeting, on March 10, 2011, the council lowered its forecast for state general fund tax revenue growth in fiscal 2011 to 0.5% from 3%, and raised fiscal 2012 growth to 11% from 10%. This was due to data that showed that the surge in visitor arrival seen earlier in the year had dissipated along with the pace of the general economic expansion.

Revenue declined by 9.5% in fiscal 2009, but grew 3.9% in fiscal 2010 due mainly to growth in individual income taxes. The softening in 2009, 2010, and 2011 to date reflects the impact of the broader national and international economic conditions, including volatile financial markets, a real estate pullback, declines in tourism, heightened unemployment, and a general national economic contraction.

Even prior to the two recent Council on Revenue forecast revisions, the state faced sizable budget gaps in fiscals 2011-2013 of $72 million, $410 million, and $362 million, in each successive year, for a total gap of $844 million. These gaps include the adjustments necessary to maintain a minimum ending balance of $25 million each year. Now, with the most recent two council forecast updates, the total 2011-2013 gap has grown to $1.25 billion, including budget adjustments of $215 million, $539 million, and $498 million, in each successive year.

Governor Abercrombie is proposing to the legislature closure of the fiscal 2011 gap mainly through the exhaustion of the state's reserves held outside of the general fund, including use of the entire balance of both the HHRF ($121 million balance) and the EBR fund ($46 million balance). These alone would cover $167 million, or 78%, of the $215 million shortfall. Other measures consist of the transferring of excess funds outside of the general fund to meet general fund obligations, state tax deduction adjustments, reduction of social services, or postponement of bonds, which would result in a budgetary ending balance of approximately $54.6 million, or 1% of expenditures. Management has no plans to replenish the HHRF unless it deems doing so necessary after the next hurricane, and the EBR fund is replenished only by tobacco settlement proceeds of $7.5 million annually. In addition, by law, 5% of the general fund balance flows to the EBR fund whenever state general fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5%, provided that transfers shall not be made if the EBR fund equates to more than 10% of general fund revenues for the preceding fiscal year.

Various measures to close the fiscal 2012 and 2013 budget gaps include the repeal of the state tax deduction, a pension tax, limitations on standardized deductions on tax returns, a suspension of general excise tax exemptions and imposition of a 4% tax, a cap on county hotel tax revenues, an increase of rental car daily surcharges, labor savings, and reduction of services. If passed, these proposals would build the state's ending fund balance on a budgetary basis to 2.6% in 2012 and 5.7% in 2013.

Liquidity

General fund cash and investments totaled $173 million in fiscal 2009, or 4% of expenditures. This does not include outside reserve designations. Cash is monitored on a daily basis, with daily reports reflecting the state's investment positions. The state forecasts its liquidity needs on a one-year forward-looking basis, puts recurring and known expenditures (debt service payments and payroll) into the forecast, and makes investments to provide liquidity on those dates. Annual cash flow is generally predictable, but in the last three years there have been several downward revisions of forecast revenue growth. The state's disbursements are monitored and managed with greater scrutiny to provide for positive general fund balances at fiscal year end. But given the recent economic downturn, this has been challenging. The state has the statutory ability to do internal borrowing with the approval of the director of finance. Transfers of funds between funds require legislative approval. The state has not done any external borrowing for cash flow purposes; it is permitted to issue GO bonds to fund a deficit, but never has.

Audited financial statements

Audited fiscal 2008 general fund revenues declined a slight 0.1%, followed by a 9.7% decline in audited fiscal 2009. Unaudited results for 2010 indicate revenues grew 10.9%, mainly due to strong individual income tax collections. Audited revenues for fiscal 2009 consisted primarily of the general excise and use taxes (55% of revenues) and the individual and corporate income tax (31%). Education expenditures (including K-12 and higher education) accounted for roughly 57% of expenditures, followed by human services and health-related expenditures, which totaled 25%. The audited ending unreserved fund balance in fiscal 2009 was a negative $88 million, or a negative 1.7% of expenditures, down from $567 million, or 11.9% of expenditures, in 2008. Preliminary results for fiscal 2010 indicate revenues surpassed expenditures by $14.6 million. However, the state's outside reserves, including the EBR fund and HHRF, totaled $247 million in fiscal 2010, equal to a good 5.1% of expenditures. The EBR fund, created by the legislature in 1999 and funded with tobacco settlement funds, is likely to be depleted in fiscal 2011 as part of solutions to close the budget gap. The same is true for the HHRF. The state has no plan to replenish the HHRF unless it deems doing so necessary after the next hurricane (if private insurers pull out of the market), and the EBR fund is replenished only by tobacco settlement proceeds of $7.5 million annually. In addition, by law, 5% of the general fund balance flows to the EBR fund whenever state general fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5%, provided that transfers shall not be made if the EBR fund is more than 10% of general fund revenues for the preceding fiscal year.

On a four-point scale where '1' is strongest, we have assigned a score of '1.9' to Hawaii's budgetary performance.

Debt And Liability Profile

Issuance of GO bonds must be authorized by a majority vote of the legislature, and each year the GO Authorization Bill authorizes the aggregate amount of GO bonds that may be issued to finance capital improvement projects. The bill also contains a calculation to ensure that the total amount of debt service payments required will not cause the state to exceed its debt limit of 18.5% of general fund revenues. State law requires that all debt begin to amortize principal within five years of issuance, mature within 25 years, and have level principal and interest payments, and disallows variable-rate debt or the use of swaps or other derivative products.

Hawaii's debt ratios on a per capita and percentage basis, are, in our view, high, with direct state debt exceeding $4.9 billion, or $3,606 per capita, 9% of total state personal income, and 8.24% of real state GDP, among the highest of all the U.S. states. Included in Hawaii's overall debt position is $64 million in COPs. Hawaii's per capita debt is attributable to the state's assumption of many functions that in other states are generally financed by local governments, including education, health, and welfare. Debt levels, however, rose rapidly during the 1990s, as the state shifted from pay-as-you-go capital spending to GO bonds. Debt amortization is rapid, though, with 67% of principal repaid in 10 years and 100% repaid in 20 years. Annual net debt service is estimated at a moderately high 7.3% of general fund expenditures for fiscal 2011.

Other long-term obligations include the state's pension and OPEBs. Pension benefits are administered by the Employees' Retirement System (ERS) of the State of Hawaii, which began operation on Jan. 1, 1926. The system is a cost sharing, multi-employer, defined-benefit pension plan that covers all regular employees of the state and each of its counties, including judges and elected officials. The system covers 111,226 active and retired beneficiaries. The ERS, as of fiscal 2010, had an unfunded actuarial accrued liability (UAAL) of $7.1 billion and actuarial assets of $11.3 billion to an actuarial accrued liability of $18.5 billion, for a funded ratio of 61% -- down from 68.6% in fiscal 2005. The funding level has steadily decreased from a high of more than 95% in fiscal 2000. Although the overall market experienced some recovery, with an 11.5% return in fiscal 2010, the market return from 2009 was negative 18%. The rate of return for the actuarial value was negative 0.42% in 2010, much less than the market return because of the four-year smoothing technique. The state contributed $527 million to PERS in fiscal 2009 and $536 million in fiscal 2010. The state paid its annual required contribution (ARC) every year during 2002-2010 except for 2007 and 2008, when it paid 95.3% and 95.7% of its ARC, respectively. We view the ERS' investment return assumption of 8% as somewhat aggressive.

The state completed its valuation of its OPEBs in 2007 for all participants, including counties, which resulted in what we consider a significant $8.8 billion combined UAAL. The UAAL rose to an estimated $14 billion as of 2009. The state funds the annual benefit on a pay-as-you-go basis. The total OPEB liability includes benefits provided to state employees, teachers, and the voluntary employee beneficiary trust. The state has no plans to fund the unfunded portion of the OPEB liability.

Estimated for fiscal 2011, actual long-term debt and pension retirement-benefit liability payments totaled $920 million and were equivalent to 18% of general fund expenditures. If OPEB benefits were funded at ARC, fixed costs, including debt service, would represent a higher 29% of fiscal 2011 general fund expenditures.

The state's GO bonding plans call for $2.87 billion in additional GO bonds over the next five years, but the timing of issuances is uncertain. The state has already delayed its plan to issue $550 million in GO bonds in the second half of fiscal 2011.

On a four-point scale where '1' is the strongest, we have assigned a score of '3.6 ' to Hawaii's debt and liability profile.

Related Criteria And Research

- USPF Criteria: **State Ratings Methodology**, Jan. 3, 2011
- USPF Criteria: **Appropriation-Backed Obligations**, June 13, 2007

Ratings Detail (As Of 22-Apr-2011)

Hawaii rfdg GO bnds ser 2008DL & ser 2009DS		
Long Term Rating	AA/Stable	Affirmed
Hawaii COPs ser 2009A		
Long Term Rating	AA-/Stable	Affirmed
Hawaii GO bnds ser 1992BZ		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Hawaii GO (wrap of insured) (AMBAC & AGM) (SEC MKT)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Hawaii GO (wrap of insured) (FGIC & AGM) (SEC MKT)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Hawaii GO (MBIA) (National)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Hawaii GO (MBIA) (National) & (AGM)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Hawaii Taxable GO bnds ser 2008DM		
Long Term Rating	AA/Stable	Affirmed
Hawaii Tax Exempt GO		
Long Term Rating	AA/Stable	Affirmed
Hawaii GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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