



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:

S.B. NO. 802, S.D. 1, RELATING TO INSURANCE.

BEFORE THE:

SENATE COMMITTEES ON WAYS AND MEANS AND ON JUDICIARY

DATE: Wednesday, February 26, 2025 **TIME:** 10:05 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact Andrew I. Kim,
Deputy Attorney General, at 808-586-1180)

Chairs Dela Cruz and Rhoads and Members of the Committees:

The Department of the Attorney General provides the following comments.

This bill (1) requires insurers to provide advance written notice to policyholders and the Insurance Commissioner, with reasonable explanations and primary factors, of any policy cancellation, non-renewal, or proposed premium increase, if, upon renewal, premiums are scheduled to increase more than ten percent; (2) requires insurers that provide property insurance to file rate schedules and underlying criteria with the Insurance Commissioner; (3) requires the Insurance Commissioner to conduct periodic reviews of insurance rates and submit annual reports to the Legislature; (4) requires the Insurance Commissioner to establish a Public Reporting and Dispute Resolution Program to handle complaints and appeals regarding premium increases; and (5) requires insurers to provide premium discounts or credits to policyholders that implement disaster risk mitigation measures.

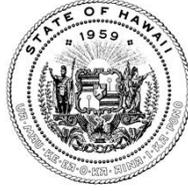
Because this bill imposes premium discount and notice requirements on insurers, it may have potential retroactive effects on the rights and duties of insurers. The requirements under this bill may affect existing contractual obligations between insurers and insureds, potentially conflicting with the Contract Clause of the United States Constitution (U.S. Const. art. I, § 10, cl. 1). To mitigate any possible issues, we recommend adding two new sections after section 2 to protect the bill against potential

retroactive application and contractual-impairment issues, by inserting the following wording after page 7, line 3:

SECTION 3. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

SECTION 4. This Act shall not be applied so as to impair any contract existing as of the effective date of this Act in a manner violative of either the Constitution of the State of Hawaii or Article I, Section 10, of the United States Constitution.

The current sections 3 and 4 should then be renumbered accordingly. Thank you for the opportunity to provide comments.



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committees on Ways and Means
and
Judiciary

Wednesday, February 26, 2025
10:05 a.m.

State Capitol, Conference Room 211 and via Videoconference

On the following measure:
S.B. 802 S.D. 1, RELATING TO INSURANCE

WRITTEN TESTIMONY ONLY

Chair Dela Cruz, Chair Rhoads, and Members of the Committee:

My name is Jerry Bump, and I am the Acting Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department appreciates the intent of this bill and offers the following comments.

The purpose of this bill is to require insurers to provide advance written notice to policyholders and the Insurance Commissioner, with reasonable explanations and primary factors, of any policy cancellation, non-renewal, or proposed premium increase, if, upon renewal, premiums are scheduled to increase more than ten per cent; require insurers that provide property insurance to file rate schedules and underlying criteria with the Insurance Commissioner; require the Insurance Commissioner to conduct periodic reviews of insurance rates and submit annual reports to the Legislature; require

the Insurance Commissioner to establish a Public Reporting and Dispute Resolution Program to handle complaints and appeals regarding premium increases; and require insurers to provide premium discounts or credits to policyholders that implement disaster risk mitigation measures.

While we appreciate the intent of the bill, the Department offers the following comments relating to duplicative oversight language in Section 1 and comments regarding Section 2:

Page 1:

1. Lines 5 to 7: This section applies to “any insurer offering property insurance in the State.” We note that property insurance, as defined by section 431:1-206, Hawaii Revised Statutes (HRS), is broad, encompassing, in relevant part, “insurance against loss of or damage to real or personal property of every kind and any interest therein . . .”. We respectfully propose that language be added to clarify the scope of its applicability to residential property products and commercial condominium master property products.

Page 3:

1. Lines 5 to 12: Insurers will be required to file a copy of their written notice and supporting documents with the Insurance Commissioner. HRS § 431:14-103.3 already gives the Insurance Commissioner the authority to mandate that insurers submit new rate filings for review. HRS § 431:14-104 also gives the Insurance Commissioner authority to approve specific risks in excess of what was previously approved. Additionally, subsection (e) requires the Insurance Commissioner to make available to the public a listing of all notices received. We note that HRS § 431:14-110.8 already mandates that, upon the Insurance Commissioner’s request, homeowners’ insurers provide premium information within thirty (30) days of said request. Additionally, the Insurance Commissioner is required to publish annually, a list of all homeowners’ insurers with representative annual premiums for homeowners’ insurance. Furthermore, we are concerned

that the personally identifiable information contained in the notices should not be made available to the public. Therefore, we respectfully request to remove the language on page 3, lines 5 to 12.

2. Lines 13 to 17: This new section requires insurers to file annually a copy of their rate schedules and underwriting criteria. We note that HRS § 14-104 already requires insurers to file their rates and obtain the Insurance Commissioner's approval when there are updates. Therefore, we respectfully ask page 3, lines 13 to 17 be removed.
3. Lines 18 to 21: The Insurance Commissioner will be required to conduct periodic reviews for compliance with state laws. We note that the Insurance Commissioner already has the authority to request additional review for cause under HRS § 431:14-103.3. Additionally, unfair methods of competition and unfair deceptive acts are subject to the Insurance Commissioner's jurisdiction under article 13 of HRS Chapter 431. Therefore, we respectfully ask page 3, lines 18 to 21 be removed.

Page 4:

1. Lines 1 to 11: We note that insurers who write condominium master policies are largely from the surplus lines market which would not be subject to this new requirement. Only a few admitted carriers are currently issuing this type of insurance. Placing additional burdens on them may lead to reevaluating whether to continue writing this coverage, and further deteriorating the availability of condominium master policy insurance. Therefore, we respectfully ask that page 4, lines 1 to 11 be removed.
2. Lines 18 to 21 to page 5, lines 1 to 18: We note that the Insurance Division currently provides a public portal through which consumers may file a complaint. Under HRS §§ 431:1-201, 431:2-201(b), and 431:2-203, the Insurance Commissioner has authority to conduct investigations, exams and enforce the Insurance Code. Additionally, the Insurance Division has a Compliance and Enforcement branch which conducts these investigations and responds to consumer inquiries and an Exam Branch to

monitor and ensure the solvency of admitted carriers. Lastly, there already exists an appeal process for policyholders as established under HRS § 431:14-110. Therefore, we respectfully ask that page 4, lines 18 to 21 to page 5, line 1 to 18 be removed.

Page 6:

1. Line 11: We respectfully suggest that language be added to the title to reflect that notices will also be provided to policyholders whose premiums increase by ten percent or more.
2. Lines 12 to 21 to page 7 lines 1 to 3: We note that this section currently applies to all lines of business. To minimize the potential for increased costs being passed onto all policy types, we offer for consideration the question of whether this notice requirement should be narrowed to homeowner's and condominium master policies. If yes, then we suggest narrowing the scope in this section.

Thank you for the opportunity to testify.



To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
Senate Committee on Ways and Means

The Honorable Karl Rhoads, Chair
The Honorable Mike Gabbard, Vice Chair
Senate Committee on Judiciary

From: Mark Sektnan, Vice President

Re: **SB 802 SD1 – Relating to Insurance**
APCIA Position: Oppose

Date: Wednesday, February 26, 2025
10:05 a.m., Room 211

Dear Chairs Dela Cruz and Rhoads, Vice Chairs Moriwaki and Gabbard and members of the Committees:

The American Property Casualty Insurance Association is **opposed to SB 802 SD1**, which would impose burdensome reporting requirements on insurers to report detailed information about premium increases.

The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

SB 802 SD1 would mandate insurance companies to provide detailed information on premium increases over an unspecified amount regardless of whether the policyholder asked for the information. The primary factors contributing to any premium increase, which shall include the following categories: (1) Specific risk factors; (2) Claims history; (3) Market conditions; (4) A summary of any changes to policy terms, conditions, or coverage; and (5) A clear and concise breakdown of the premium calculation, which shall identify any administrative costs, loss reserves, reinsurance costs, and claims related factors specific to the insured property; provided that the notice shall include the extent to which each of these categories contributes to the premium increase.

Further, the listing of categories provided in the text of SB 802 SD1 does not include all the reasons for premium increases, as external factors not related to the condition of the property may produce premium increases. These include, but are not limited to, general inflationary pressures within the economy that may increase prices for repairing or replacing property, or changes in the overall risk environment. Accordingly, the required use of the provided list may produce confusion and frustration for policyholders who erroneously believe that premium increases must be based on the factors provided with the list. Policyholders already have the ability to inquire about the reasons for premium increases.

Additionally, the bill requires all insurance companies to provide, on an annual basis, a copy of the insurer's rate schedules and underwriting criteria with the commissioner annually. Hawaii is a "prior approval" state. Insurers cannot charge any premium that has not been approved by the Commissioner. Insurers must justify any premium, including any increase in premium so the Department of Insurance already has this information. The benefits of undertaking the burdensome data collection and reporting requirements under this provision are unclear.

The bill also requires the commissioner to conduct periodic reviews of insurance rates to ensure compliance with state laws, focusing on rate-setting practices, prevention of price-gouging, and unfair discrimination. This requirement is unnecessary because the Division of Insurance already reviews insurance rate filing to ensure the rates are in compliance with appropriate laws.

For these reasons, APCIA asks the committee to **hold SB 802 SD1**.



SanHi

GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 25, 2025

TO: Senator Donovan M. Dela Cruz
Chair, Committee on Ways and Means

Senator Karl Rhoads
Chair, Committee on Judiciary

FROM: Matt Tsujimura

RE: **S.B. 802 S.D. 1 – Relating to Insurance**
Hearing Date: Wednesday, February 26, 2025, at 10:05AM
Conference Room: 211

Dear Chair Dela Cruz, Chair Rhoads, and members of the Joint Committee:

I am Matt Tsujimura, the retained lobbyist for State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers testimony **in opposition** to S.B. 802 S.D. 1 – Relating to Insurance.

S.B. 802 S.D. 1 would require insurers to provide notices to policyholders regarding decisions to cancel, non-renew, or increase policy premiums. State Farm recognizes that some consumers may have questions about their premiums and would like to better understand what they can do to control the amount they pay. Today, insurers respond to consumer questions and complaints regarding changes to their premiums. State Farm is concerned that S.B. 802 S.D. 1 will create significant cost and operational challenges for insurers, while offering little to no benefit to consumers. Requiring these additional forms, and processes may ultimately lead to greater customer confusion.

Additionally, some of the issues in S.B. 802 S.D. 1 are already addressed in current Hawaii law; S.B. 802 S.D. 1 is duplicative and may cause confusion on which standards apply. Insurance is a highly regulated industry. HRS 431:10C-112 and 431:10-226.5 set forth requirements regarding notice of cancellation and non-renewal. The Insurance Division has the authority to approve insurers rates (HRS 431:10C-201, et seq. and 431:14-101, et seq) and collect data from insurers (HRS 431:2D-101, et seq). The Insurance Division also has the authority to investigate insurers regarding compliance with Hawaii Unfair Methods of Competition and Unfair and Deceptive Acts and Practices in the Business of Insurance at HRS 431:13-101, et seq.

Finally, competition is a key element of a stable insurance market. As noted above, insurers are required to file their rates and forms with the Insurance Division. These rates and forms are approved by the Commissioner. The proposed appeals process seems to overlook the rate approval process and could result in insurers being forced to take on a risk outside of a company's risk tolerance. Insurers must be permitted to

make underwriting decisions and price risk according to their risk tolerance and expected or probable frequency and severity of loss.

Given the challenges facing the insurance market in Hawaii, the changes proposed in S.B. 802 S.D. 1 would likely have a negative impact overall to insurance availability and affordability.

For these reasons, we respectfully ask the joint committee to **hold S.B. 802 S.D. 1**.

Thank you for the opportunity to submit this testimony.

SB-802-SD-1

Submitted on: 2/21/2025 5:46:42 PM

Testimony for WAM on 2/26/2025 10:05:00 AM

Submitted By	Organization	Testifier Position	Testify
Elliot Miles	Individual	Support	Written Testimony Only

Comments:

Good idea. Thank you for this.

I hope this also applies to the three insurers that seem to dominate the condo master insurance market in Hawai'i. I'm deeply suspicious of them.

SB-802-SD-1

Submitted on: 2/22/2025 4:07:35 PM

Testimony for WAM on 2/26/2025 10:05:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Support	Written Testimony Only

Comments:

I am an owner occupant of a high rise condo in Downtown Honolulu. I have an HO6 policy and my condo has a master policy. As you are aware, insurance prices jumped dramatically last year, in both categories, and some condo associations as well as HO6 policy holders had their policies canceled, often with little notice. Or, a dramatic increase in their deductibles.

The insurance industry is in crisis. Their long existing business plan no longer works. They need to change it, taking into effect the crises we have seen here, on the mainland, and the rest of the world because of climate change. They cannot act like ostriches burying their heads in the sand I wish to thank Senator Fukunaga and the others who introduced this measure. It is well needed and appreciated.

There is one change I would like to see. It is important that the insurers give sixty days notice to policy holders if there are changes in premium or if the policy is going to be canceled. Often we get little notice and have to scramble to get coverage. In addition, deductibles are raised with no discussion, You need to look into that matter too.

Mahalo nui for your consideration.