

STAND. COM. REP. NO. 664

Honolulu, Hawaii

FEB 14 2025

RE: S.B. No. 142
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 142 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require insurers who choose to send payments of a claim by issuing a check to the insured to deliver the checks by certified mail, restricted delivery, postage prepaid, return receipt requested, to the last known address of the insured or the insured's designated beneficiary;
- (2) Establish that insurers who choose to send payments of a claim by mail are not relieved of their obligation to pay until they receive a sworn affidavit from the insured or the insured's designated beneficiary confirming receipt of the check; and
- (3) Establishes remedies for an insured or the insured's designated beneficiary whose check is lost, destroyed, or stolen; and for insurers if they incur losses by reissuing the check.

Your Committee received testimony in opposition to this measure from the American Property Casualty Insurance Association,



Hawaii Insurers Council, National Association of Mutual Insurance Companies, and State Farm Mutual Automobile Insurance Company.

Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs.

Your Committee finds that the impetus for this measure stems from existing insurance policies that require insured homeowners who have a mortgage and, after experiencing a disaster that causes the homeowner to file an insurance claim, to take possession of their insurance claim check, endorse the check, and rather than deposit the check into their account, are required to deliver the endorsed check to their mortgage institutions before being entitled to payment. This process creates an unnecessarily risky obligation for the homeowner regarding the custody of an endorsed claim check. Your Committee finds that electronic delivery of the claim check directly from the insurer to the mortgage lender is a much safer and faster method that would benefit all parties.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have:
 - (A) Required insurers to deliver checks by United States certified mail, restricted delivery, postage prepaid, return receipt requested;
 - (B) Provided that an insurer who chooses to pay the proceeds of a claim by check shall not be relieved of its obligation to pay the claim proceeds until it received a sworn affidavit from the insured or designated beneficiary confirming receipt; and
 - (C) Established procedures in the event of a lost, destroyed, or stolen check;
- (2) Inserting language that:
 - (A) Clarifies that, when a homeowners insurance policy that covers a mortgaged property allows for the payment of proceeds by issuing a check, the insured may authorize the insurer to electronically deliver the check to the insured's mortgagee; and



- (B) Requires an insured's mortgagee in receipt of electronic delivery of a claim check to deliver the proceeds of the claim to the insured in accordance with the mortgage agreement and the insurance policy;
- (3) Amending the definition of "check" to have the same meaning as defined in section 490:3-104, Hawaii Revised Statutes;
- (4) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 142, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 142, S.D. 1, and be referred to your Committee on Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



JARETT KEOHOKALO, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 142	Committee Referral: CPN, JPC	Date: 1/31/25		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"				✓
AWA, Brenton				✓
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes