

Honolulu, Hawaii

FEB 28 2025

RE: S.B. No. 142
S.D. 2

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

Sir:

Your Committee on Judiciary, to which was referred S.B. No. 142, S.D. 1, 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) Allow an insured to authorize the insurer to electronically deliver a claim check to the insured's mortgagee when a homeowners insurance policy that covers a mortgaged property allows for the payment of proceeds by issuing a check; and
- (2) Require a 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.

Your Committee received testimony in support of this measure from the Mortgage Bankers Association of Hawaii, Hawaii Bankers Association, Hawaii Financial Services Association, and one individual.

Your Committee received testimony in opposition to this measure from NAMIC.



Your Committee received comments on this measure from the Insurance Division of the Department of Commerce and Consumer Affairs, Hawaii Insurers Council, and Hawaii Credit Union League.

Your Committee finds that when insured homeowners who have a mortgage file an insurance claim necessitated after a disaster, it is imperative for the homeowner to receive their insurance payment. However, many existing insurance policies require a homeowner, before being entitled to their payment, to take possession of their insurance claim check, endorse the check, and then deliver the endorsed check to their mortgage institutions, a process that dramatically increases the risk of fraud and lost checks and slows claim payouts. By creating a direct process from the insurer to the mortgage lender through an electronic delivery of the claim check, this measure will ensure a faster and safer insurance claim system.

Your Committee notes that this measure, as written, does not allow for the transfer of insurance proceeds through automated clearing house transfers or wire transfers. Automated clearing house transfers are secure and regulated, reducing the risk of fraud and errors, and wire transfers provide a higher level of protection than paper checks because they are processed through secure banking systems. Your Committee believes that this measure should be amended to allow for these methods of fund transfers, to reduce the risk of interception or tampering compared to mailed checks.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying that an insured is able to authorize the insurer in writing to electronically remit the claim proceeds to the insured's mortgagee when a homeowners insurance policy that covers a mortgaged property allows for the payment of proceeds by issuing a check;
- (2) Requiring that claim proceeds be made payable only to the mortgagee;
- (3) Defining the terms "electronic delivery" and "mortgage agreement"; and



- (4) 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 Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 142, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 142, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Judiciary,



KARL RHOADS, Chair



The Senate
 Thirty-Third Legislature
 State of Hawai'i

Record of Votes
Committee on Judiciary
JDC

Bill / Resolution No.:* <i>SB 142, SDI</i>	Committee Referral: <i>CDN, JDC</i>	Date: <i>2/21/25</i>		
<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
RHOADS, Karl (C)	✓			
GABBARD, Mike (VC)				✓
CHANG, Stanley	✓			
SAN BUENAVENTURA, Joy A.	✓			
AWA, Brenton	✓			
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center;"></div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes