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# A BILL FOR AN ACT

RELATING TO MOTOR VEHICLE INSURANCE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       Section 1. The legislature finds that Florida is leading  
2 the charge in major insurance reforms to drive down rates,  
3 attract new insurers, and deliver significant savings for  
4 Florida consumers. In 2023, the Florida Legislature passed a  
5 reform on auto insurance, mandating that auto insurers are  
6 obligated to return excess profits to policyholders. Florida  
7 recently announced that Progressive will refund nearly one  
8 billion dollars to Florida auto policyholders.

9       According to the Insurance Research Council, nearly eleven  
10 per cent of Hawaii motorists drive without the minimum legally  
11 required insurance. It is also estimated that three out of ten  
12 drivers in Hawaii are buying as little coverage as the law  
13 allows, which puts them at risk of financial disaster if they  
14 are in an accident. This only exacerbates Hawaii's already high  
15 cost of living and burdens struggling residents. If the state's  
16 insurance market prioritized policyholder affordability over  
17 profits, more drivers would likely be sufficiently insured. The



1 purpose of this Act is to prohibit the stockpiling of excessive  
2 profits of private passenger automobile insurance businesses by  
3 requiring the return of excess premium profits to consumers.

4 SECTION 2. Section Chapter 431:10C, Hawaii Revised  
5 Statutes, is amended by adding three new definitions to be  
6 appropriately inserted and to read as follows:

7 "Anticipated underwriting profit" means the sum of the  
8 dollar amounts obtained by multiplying, for each rate filing of  
9 the insurer group in effect during such period, the earned  
10 premiums applicable to such rate filing during such period by  
11 the percentage factor included in such rate filing for profit  
12 and contingencies, such percentage factor having been determined  
13 with due recognition to investment income from funds generated  
14 by Hawaii business. Separate calculations need not be made for  
15 consecutive rate filings containing the same percentage factor  
16 for profits and contingencies.

17 "Cash" means coins, currency, checks, drafts, or money  
18 orders.

19 "Private passenger automobile business" means that  
20 insurance business that is written on a family automobile  
21 policy, standard automobile policy, or personal automobile or



1 similar private passenger automobile policy written for personal  
2 use, as opposed to commercial automobile insurance business."

3 SECTION 3. Chapter 431:10C, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

6 **"§431:10C- Prohibiting Excessive Profits for Motor**  
7 **Vehicle Insurance.** (a) Each Hawaii private passenger  
8 automobile insurer group shall file with the commissioner, prior  
9 to July 1 of each year on forms prescribed by the commissioner,  
10 the following data for Hawaii private passenger automobile  
11 business. The data filed for the group shall be a consolidation  
12 of the data of the individual insurers of the group. The data  
13 shall include both voluntary and joint underwriting association  
14 business, as follows:

15 (1) Calendar-year total limits earned premium;

16 (2) Accident-year incurred losses and loss adjustment  
17 expenses;

18 (3) The administrative and selling expenses incurred in  
19 the State or allocated to the State for the calendar  
20 year; and



1        (4) Policyholder dividends incurred during the applicable  
2        calendar year.

3        (b) Excessive profit has been realized if there has been  
4        an underwriting gain for the three most recent calendar-accident  
5        years combined which is greater than the anticipated  
6        underwriting profit plus five per cent of earned premiums for  
7        those calendar-accident years.

8        (c) Each insurer group shall also file a schedule of  
9        Hawaii private passenger automobile loss and loss adjustment  
10       experience for each of the three most recent accident years.  
11       The incurred losses and loss adjustment expenses shall be valued  
12       as of March 31 of the year following the close of the accident  
13       year, developed to an ultimate basis, and at two twelve-month  
14       intervals thereafter, each developed to an ultimate basis, so  
15       that a total of three evaluations will be provided for each  
16       accident year.

17       (d) Each insurer group's underwriting gain or loss for  
18       each calendar-accident year shall be computed as follows: The  
19       sum of the accident-year incurred losses and loss adjustment  
20       expenses as of March 31 of the following year, developed to an  
21       ultimate basis, plus the administrative and selling expenses



1 incurred in the calendar year, plus policyholder dividends  
2 applicable to the calendar year, will be subtracted from the  
3 calendar-year earned premium to determine the underwriting gain  
4 or loss.

5 (e) For the three most recent calendar-accident years, the  
6 underwriting gain or loss will be compared to the anticipated  
7 underwriting profit.

8 (f) If the insurer group has realized an excessive profit,  
9 the commissioner shall order a return of the excessive amounts  
10 after affording the insurer group an opportunity for hearing and  
11 otherwise complying with the requirements of chapter 91. Such  
12 excessive amounts shall be refunded in all instances unless the  
13 insurer group affirmatively demonstrates to the commissioner  
14 that the refund of the excessive amounts will render a member of  
15 the insurer group financially impaired or will render it  
16 insolvent under the provisions of the Hawaii Insurance Code.

17 (g) The excessive amount shall be refunded on a pro rata  
18 basis in relation to the final compilation year earned premiums  
19 to the voluntary private passenger automobile policyholders of  
20 record of the insurer group on December 31 of the final  
21 compilation year.



1        (h) Any excess profit of an insurance company offering  
2 motor vehicle insurance shall be returned to policyholders in  
3 the form of a cash refund or a credit towards the future  
4 purchase of insurance. Rounding is permitted in the following  
5 ways:

6        (1) Cash refunds to policyholders may be rounded to the  
7 nearest dollar;

8        (2) Data in required reports to the commissioner may be  
9 rounded to the nearest dollar; and

10       (3) Rounding, if elected by the insurer group, shall be  
11 applied consistently.

12       (i) Refunds shall be completed in one of the following  
13 ways:

14       (1) If the insurer group elects to make a cash refund, the  
15 refund shall be completed within sixty days of entry  
16 of a final order indicating that excessive profits  
17 have been realized.

18       (2) If the insurer group elects to make refunds in the  
19 form of a credit to renewal policies, such credits  
20 shall be applied to policy renewal premium notices  
21 which are forwarded to insureds more than sixty



1        calendar days after entry of a final order indicating  
2        that excessive profits have been realized. If an  
3        insurer group has made this election but an insured  
4        thereafter cancels his or her policy or otherwise  
5        allows the policy to terminate, the insurer group  
6        shall make a cash refund not later than sixty days  
7        after termination of such coverage.

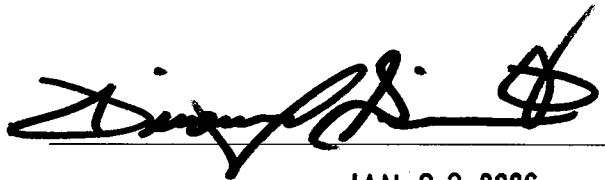
8        (j) Upon completion of the renewal credits or refund  
9        payments, the insurer group shall immediately certify to the  
10       commissioner that the refunds have been made.

11       (k) Any refund or renewal credit made pursuant to this  
12       section shall be treated as a policyholder dividend applicable  
13       to the year in which it is incurred, for purposes of reporting  
14       under this section for subsequent years."

15       SECTION 4. New statutory material is underscored.

16       SECTION 5. This Act shall take effect upon its approval.

17       INTRODUCED BY



JAN 23 2026



# H.B. NO. 2036

**Report Title:**

Motor Vehicle Insurance; Insurance Premiums; Excess Profits

**Description:**

Prohibits private passenger automobile insurance businesses from stockpiling excess premium profits. Requires private passenger automobile insurance businesses to return excess premium profits to consumers.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

