THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2452

JAN 22 2026

A BILL FOR AN ACT

RELATING TO CLIMATE-FRIENDLY INSURERS.

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

SECTION 1. This Act shall be known and may be cited as the "Climate-Friendly Insurers Act of 2026".

SECTION 2. The legislature finds that consumers pay premiums year after year to insurers to protect them when disaster strikes, but insurers across the country are increasingly not holding up their end of the bargain. Climate-related disasters such as hurricanes, wildfires, and floods are becoming more frequent and severe, leading to higher disaster losses. In response, many insurers have raised premiums and deductibles, reduced coverage, denied more claims, or withdrawn from high-risk areas, shifting climate risks onto homeowners, renters, and businesses. These changes particularly impact communities that are already vulnerable to economic instability and natural disasters.

The legislature further finds that while this unfolds, insurers have continued to underwrite and invest in fossil fuel expansion that contributes to growing climate risks that are burdening consumers and threatening financial markets. Fossil fuel companies depend on insurance coverage to operate, and insurers remain key financial backers of new coal, oil, and gas infrastructure. Scientific research indicates that a significant portion of known fossil fuel reserves must remain unused to limit global warming, and groups like the International Energy Agency have warned that no new fossil fuel supply projects are compatible with limiting global warming below two degrees centigrade.

The legislature further finds that major United States insurers collectively hold hundreds of billions of dollars in fossil fuel-related assets, increasing their exposure to climate-related financial risks, while they cite climate-driven disasters as justification for raising premiums, reducing coverage, or completely withdrawing from markets. To ensure that households can maintain affordable property insurance, insurers must align their investments and underwriting with science-based emissions targets -- meaning they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement and avoid the worst impacts of climate change.

Accordingly, the purpose of this Act is to promote a stable, affordable, and resilient insurance market in the State by addressing climate-related financial risks associated with insurer underwriting and investment practices and by requiring enhanced transparency and regulatory oversight.

SECTION 3. Chapter 431, Hawaii Revised Statutes, is amended by adding a new part to article 10E to be appropriately designated and to read as follows:

"PART . CLIMATE FRIENDLY INSURERS ACT

§**431:10E-A Definitions.** As used in this part:

"Commissioner" means the insurance commissioner of the State.

"Financed emissions" means greenhouse gas emissions associated with insurer investments in fossil fuel companies and fossil fuel projects, as defined by the department of commerce and consumer affairs, in consultation with the department of health.

"Fossil fuel" means a carbon-based energy source formed in the earth's crust from decayed organic material, including but not limited to petroleum, crude oil, natural gas, and coal.

"Fossil fuel company" means any entity, including but not limited to corporations, limited liability companies, partnerships, joint ventures, trusts, special purpose vehicles, private equity funds, subsidiaries, associates, affiliates, or any other legal, financial, or organizational structure, that derives ten per cent or more of its revenue from any new or existing fossil fuel project.

"Fossil fuel project" means a project, undertaking, activity, or investment designed to facilitate any significant action with respect to fossil fuels or any byproduct thereof for commercial purposes, including but not limited to:

(1) Upstream activities: exploration, extraction, drilling, mining, production, collection, gathering, development, redevelopment, expansion, or construction of mines, fields, wells, rigs, platforms, or any other related infrastructure;

(2) Midstream activities: refining, processing, exportation, transportation, storage, petrochemical manufacturing, or any other distribution infrastructure or logistics including construction of

pipelines, terminals, power plants, or compressors; and

(3) Downstream activities: power, heat, or cooling generation facilities and fossil fuel-powered manufacturing under North American Industry Classification System codes: 221112 (Fossil Fuel Electric Power Generation), 325110 (Petrochemical Manufacturing), and 324199 (All Other Petroleum and Coal Products Manufacturing).

"Insured emissions" means greenhouse gas emissions associated with insurer underwriting in fossil fuel companies and fossil fuel projects, as defined by the department of commerce and consumer affairs, in consultation with the department of health.

"Insurer" means any person, firm, association, or corporation duly licensed to transact a property or casualty insurance business in this State.

"New fossil fuel project" means a fossil fuel project in excess of what is in or approved for development as of July 1, 2026, including projects designed to expand the use of or generate new infrastructure for production from existing reserves. "New fossil fuel project" does not include modifications made solely to increase safety or reduce carbon intensity, such as to reduce fugitive or vented emissions; provided that such modifications do not expand the fossil fuel supply base.

"Science-based climate mitigation targets" means absolute emissions reduction targets that are in line with limiting global temperature rise to 1.5 degrees centigrade above pre-industrial levels, as defined by the department of commerce and consumer affairs, in consultation with the department of health.

§431:10E-B Financed emissions; insured emissions; science-based climate mitigation targets; definitions; rules; guidance. (a) The department of commerce and consumer affairs in consultation with the department of health shall define "financed emissions". The department of commerce and consumer affairs may, by rule or guidance, designate additional asset classes, sectors, or investment types to be included for the purpose of calculating financed emissions, including but not limited to high-emitting industries, carbon-intensive supply chains, and emissions-intensive utilities. In establishing a definition under this subsection, the department of commerce and consumer affairs shall consider:

(1) Internationally recognized standards for financed emissions accounting, including those issued by the Partnership for Carbon Accounting Financials;

(2) The availability and quality of emissions data from subsidiary, joint venture, or portfolio companies and asset classes;

(3) The proportional contribution of investment activities to an insurer's overall greenhouse gas footprint;

(4) The need to provide consistent, comparable, verifiable, and transparent emissions disclosures and disclosure standards across the insurance sector; and

(5) Alignment with state climate policy objectives, including emissions reduction targets, climate risk mitigation strategies, and sector-specific decarbonization targets.

(b) The department of commerce and consumer affairs in consultation with the department of health shall define "insured emissions", which shall include, at a minimum, underwriting fossil fuel companies and fossil fuel projects. The department of commerce and consumer affairs may, by rule or guidance, designate additional asset classes, sectors, or investment types to be included for the purpose of calculating insured emissions, including but not limited to high-emitting industries, carbon-intensive supply chains, and emissions-intensive utilities. In establishing a definition under this subsection, the department of commerce and consumer affairs shall consider:

(1) Methodologies for attributing greenhouse gas emissions to insurance underwriting activities, including the methodology issued by the Partnership for Carbon Accounting Financials for insurance-associated emissions, and guidance from international initiatives such as the Forum for Insurance Transition to Net-Zero and the Science Based Targets initiative;

(2) Distinctions among lines of business, including whether the underwriting pertains to high-emitting sectors such as fossil fuel exploration, extraction, processing, exporting, transporting, and any other significant action with respect to oil, natural gas, coal, or any byproduct thereof;

(3) The extent to which emissions attributable to underwriting can be reasonably measured, estimated, or modeled using available data;

(4) The need to provide consistent, comparable, verifiable, assured, and transparent emissions disclosures and disclosure standards across the insurance sector; and

(5) Alignment with state climate policy objectives, including emissions reduction targets, climate risk mitigation strategies, and sector-specific decarbonization targets.

(c) The department of commerce and consumer affairs in consultation with the department of health shall define "science-based climate mitigation targets". In establishing a definition under this subsection, the department of commerce and consumer affairs shall:

(1) Consider peer-reviewed, science-based methodologies and criteria developed by recognized and reputable standard-setting bodies, including the Science Based Targets initiative, the Intergovernmental Panel on Climate Change, and relevant international agreements such as the 2015 Paris Climate Accords;

(2) Cover Scopes 1, 2, and 3 greenhouse gas emissions, as defined by the Greenhouse Gas Protocol, and consistent with best available accounting and disclosure practices, for example, the accounting methodologies issued by the Partnership for Carbon Accounting Financials for financed emissions and insurance-associated emissions;

(3) Incorporate time-bound goals, including near-term (e.g. 2030) and longer-term (e.g. net zero by 2050 or earlier) benchmarks;

(4) Account for the proportional contributions, impacts, and capabilities of regulated entities in contributing to statewide emissions reductions;

(5) Require that targets do not rely on carbon offsets, avoided emissions claims, or unproven greenhouse gas removal technologies;

(6) Align with state climate policy objectives, including emissions reduction targets, climate risk mitigation and adaptation strategies, and sector-specific decarbonization targets; and

(7) Provide for periodic review and updating of targets based on evolving climate science, sector-specific developments, and real-world performance data.

§431:10E-C Implementation of climate leadership targets for covered insurers. (a) This part shall apply to covered insurers which includes insurers who:

(1) Report over $10,000,000 of direct property and casualty premiums written in the State on its annual schedule "T" filing with the National Association of Insurance Commissioners;

(2) Engage in activities or investments that may expose the insurer to a heightened level of risk from the physical or transition effects of climate change; or

(3) The commissioner determines that applicability of this section to the insurer would be in the public interest.

(b) The commissioner shall:

(1) By July 1, 2027, develop and implement a process for covered insurers to file reports under subsection (c);

(2) Align covered insurer investment and underwriting activities with science-based climate mitigation targets, including by:

(A) Prohibiting covered insurers from underwriting or investing in any new fossil fuel projects after July 1, 2026;

(B) Directing covered insurers to unwind and terminate any outstanding or pending commitments or negotiations to underwrite or invest in new fossil fuel projects by July 1, 2028;

(C) Directing covered insurers to phase out all underwriting and investing for any existing fossil fuel projects and fossil fuel companies by 2035, and establish short-, medium-, and long-term benchmarks; and

(D) Any other requirements deemed necessary by the commissioner to align covered insurers' investments and underwriting with science-based climate mitigation targets, including developing and implementing enterprises-wide transition plans;

(3) By July 1, 2027, develop and implement a process for covered insurers to certify under subsection (d), as a condition of licensure in the State, that the covered insurer meets the requirements of this section, which may include mandatory transition plans and progress; and

(4) Annually review the reports and certifications required under this section, and compile and post the information in the reports and certifications on the official website of the insurance division within three months of receiving the reports and certifications.

(c) By December 31, 2026, and annually thereafter, covered insurers shall submit, within six months of the end of each fiscal year, a report to the commissioner disclosing:

(1) The covered insurer's investments in any fossil fuel company, fossil fuel project, or new fossil fuel project;

(2) The financed emissions from all the covered insurer's investments in the previous fiscal year;

(3) The covered insurer's underwriting for any fossil fuel company, fossil fuel project, or new fossil fuel project, in terms of total gross premiums in dollars, disaggregated by company and project in a format determined by the commissioner;

(4) The insured emissions from all the covered insurer's underwriting in the previous reporting year;

(5) The timelines, strategies, and methodologies the covered insurer has implemented to comply with the requirements of this part;

(6) The progress the covered insurer has made towards achieving these requirements, including specific milestones; and

(7) Any other information the commissioner deems necessary to effectively implement and enforce any rule or regulation adopted pursuant to this part, which the commissioner shall publish in advance.

(d) As part of the annual report required under subsection (c), the chief executive officer or chief financial officer of a covered insurer shall certify the accuracy of the information contained in the report and that the covered insurer has:

(1) Ceased or made progress towards cessation of underwriting and investment in any fossil fuel project;

(2) Relinquished or made progress in relinquishing any direct or indirect stake in any fossil fuel company or fossil fuel project; and

(3) Not invested in or underwritten any new fossil fuel project.

(e) The commissioner may contract with third parties and may charge fees to the covered insurer as may be reasonably necessary to assist in the review of the covered insurer's filings under this section.

§431:10E-D Compliance and penalties. (a) Any covered insurer that fails to comply with the reporting requirements, divestment obligations, or underwriting prohibitions under this part shall be subject to, at the discretion of the commissioner, one or more of the following:

(1) Administrative penalties:

(A) Equivalent to the covered insurer's fractional share of the property and casualty insurance market in the State based on total premiums written multiplied by the insurer's net profits generated from the covered insurer's enterprise-wide operations within the State in the violation year;

(B) Up to an additional 0.01 per cent of the violation year's net profits generated from the covered insurer's enterprise-wide operations within the State per day of a continuing violation; and

(C) Up to twenty-five per cent of premiums collected underwriting any new fossil fuel project;

(2) Prohibition on declaring or distributing any dividends to shareholders or any bonus, incentive compensation, or other variable remuneration to executive officers or board members without the prior written approval of the commissioner;

(3) One hundred fifty per cent increase in annual fees for licensing, exams, and renewals in each year of violation; or

(4) Restriction, suspension, or revocation of the insurer's license to do business in the State,

including limitations on the amount of premiums written in the State or limitations on other lines of business conducted in the State.

(b) Any covered insurer that fails to comply with the reporting requirements, divestment obligations, or underwriting prohibitions under this part shall be required to report semi-annually to the commissioner and submit a compliance plan until the commissioner determines the covered insurer is in compliance with this part.

(c) Any covered insurer that fails to comply with this part three times within five years may be subject to additional penalties available to and at the discretion of the commissioner under state law.

(d) All penalties collected pursuant to this section shall be deposited into the climate-friendly insurers special fund.

§431:10E-E Climate-friendly insurers special fund. (a) There is established in the treasury of the State of Hawaii the climate-friendly insurers special fund into which shall be deposited:

(1) Appropriations by the legislature;

(2) Fees and penalties collected pursuant to section 431:10E-D; and

(3) Any interest earned on the balance of the special fund.

(b) The climate-friendly insurers special fund shall be administered by the commissioner who may transfer funds to other departments or state-administered funds for the purpose of financing projects and initiatives designed to avoid, limit, or adapt to negative impacts caused by climate change, including for the benefit of households residing in and businesses located in low- and-moderate-income communities or disadvantaged communities.

§431:10E-F Reporting. (a) The commissioner shall submit a report to the legislature and governor no later than twenty days prior to the convening of the regular session of 2029 and every two years thereafter. The report shall also be made available to the public and posted on the official website of the insurance division. The report shall disclose, for the preceding two calendar years, the commissioner's:

(1) Efforts to implement section 431:10E-C, including anonymized and aggregated data on insurer investments

in and underwriting of fossil fuel companies and fossil fuel projects, financed emissions, and insured emissions;

(2) Regulatory and supervisory actions taken, if any, to bolster the resilience of insurers to the physical impacts of climate change;

(3) Regulatory and supervisory actions planned, if any, to bolster the resilience of insurers to the physical impacts of climate change;

(4) Violations of section 431:10E-C, and any penalties assessed as a result, anonymized and aggregated; and

(5) The effects, if any, that insurers' efforts to address climate risk have had on the affordability and availability of insurance for low-income communities, communities of color, and other traditionally underserved communities in the State.

(b) The report shall also summarize available information regarding:

(1) Insurer and insurance market readiness for climate change and the energy transition;

(2) Major sources of climate risk faced by insurers;

(3) Any gaps related to climate risk that the commissioner intends to address; and

(4) Any proposed legislation to allow the commissioner to further address climate risk.

§431:10E-G Rules. The commissioner may adopt rules and regulations as may be reasonably necessary to implement this part."

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2026-2027 to be deposited into the climate-friendly insurers special fund.

SECTION 5. There is appropriated out of the climate-friendly insurers special fund the sum of $ or so much thereof as may be necessary for fiscal year 2026-2027 for the purposes of this Act.

The sum appropriated shall be expended by the insurance commissioner for the purposes of this Act.

SECTION 6. In codifying the new sections added by section 3 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 7. This Act shall take effect on July 1, 2026.

INTRODUCED BY: Karl Rhoads

S.B. NO. 2452

Report Title:
DCCA; DOH; Insurance Commissioner; Climate-Friendly Insurers Act of 2026; Fossil Fuels; Insurance; Climate-Friendly Insurers Special Fund; Rules; Appropriation

Description:
Establishes requirements for certain insurers to address climate-related financial risk by limiting underwriting and investment in fossil fuel projects and by requiring reporting, certification, and regulatory oversight. Requires the Department of Commerce and Consumer Affairs, in consultation with the Department of Health, to define certain terms by rule or guidance. Establishes the Climate-Friendly Insurers Special Fund. Appropriates funds.

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