

JAN 23 2026

A BILL FOR AN ACT

RELATING TO ARTIFICIAL INTELLIGENCE.

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

1 SECTION 1. The legislature finds that artificial
2 intelligence systems, including generative artificial
3 intelligence services, are becoming integral to commerce,
4 education, health care, finance, transportation, and government
5 operations. When responsibly designed and governed, these
6 technologies can improve productivity, expand access to
7 services, reduce costs, and support faster, better-informed
8 decision-making.

9 The legislature further finds however, that the rapid
10 deployment of artificial intelligence systems, often without
11 mature controls, can erode foundational principles of security,
12 oversight, and accountability. Documented trends include
13 hallucinations and other reliability failures; misuse of
14 accessible data or application of irrelevant or low-quality
15 data; poisoned or contaminated inputs that degrade outputs; and
16 attempts by providers or deploying organizations to shift



1 responsibility to end users or to an automated system to avoid
2 accountability for errors and harms.

3 The legislature further finds that consumers can face
4 severe financial and reputational impacts when automated tools
5 are used in customer-facing interactions or to support high-
6 impact decisions. Examples include:

7 (1) Use of automated vehicle damage scanning and scoring
8 processes that can generate disputed or erroneous
9 damage charges in rental-car transactions; and
10 (2) Well-documented harms from algorithmic scoring in
11 housing and tenant screenings that can contribute to
12 unfair outcomes and disparate impacts.

13 The legislature further finds that basic, common-sense
14 consumer protection standards can curb abuses while supporting
15 responsible innovation, by clarifying accountability, requiring
16 transparent disclosures, ensuring meaningful human review and a
17 right to appeal when automated tools materially affect
18 consumers, and requiring risk management and documentation
19 proportionate to consumer risk.

20 Accordingly, the purpose of this Act is to establish a
21 technology-neutral framework that:



- 1 (1) Requires disclosure when artificial intelligence is
- 2 used in consumer interactions and consequential
- 3 decisions;
- 4 (2) Prohibits the use of artificial intelligence as a
- 5 shield from responsibility for unfair or deceptive
- 6 practices;
- 7 (3) Establishes rights to explanation, correction, appeal,
- 8 and human review for certain automated decisions; and
- 9 (4) Requires reasonable governance, testing, monitoring,
- 10 and cybersecurity controls to improve reliability,
- 11 fairness, and consumer trust.

12 SECTION 2. Chapter 480, Hawaii Revised Statutes, is
13 amended by adding a new part to be appropriately designated and
14 to read as follows:

15 "PART . . . ARTIFICIAL INTELLIGENCE CONSUMER PROTECTIONS

16 **§480-A Definitions.** As used in this part:

17 "Adverse action" means a denial, reduction, termination, or
18 other materially unfavorable change in, or refusal to provide, a
19 product, service, price, term, or condition that is the result
20 of, or is materially influenced by, a consequential decision.



1 "Algorithmic discrimination" means the use of an artificial
2 intelligence system or automated decision tool that contributes
3 to unjustified differential treatment or unjustified
4 differential impact that disfavors a person or class of persons
5 on the basis of a characteristic protected by state or federal
6 law.

7 "Artificial intelligence system" or "AI system" means a
8 machine-based system that, for a given set of objectives,
9 generates outputs such as predictions, recommendations, content,
10 classifications, scores, or similar outputs that influence
11 decisions or behaviors in real or virtual environments, and that
12 operates with varying levels of autonomy.

13 "Automated decision tool" means a computational process,
14 including one derived from machine learning, statistics, data
15 analytics, or artificial intelligence, that issues an output
16 used to make, inform, or materially influence a consequential
17 decision.

18 "Consequential decision" means a decision that determines
19 or materially influences a consumer's access to, eligibility
20 for, or the terms, conditions, or pricing of:



- 1 (1) Housing or rental screening, including a lease,
2 tenancy, or occupancy determination;
- 3 (2) Credit, lending, or other financial services;
- 4 (3) Insurance;
- 5 (4) Employment, including hiring, promotion, termination,
6 scheduling, compensation, or the assignment of work;
- 7 (5) Education admissions or educational opportunities;
- 8 (6) Health care services, including access to care,
9 payment, or coverage determinations;
- 10 (7) Legal services provided to a consumer in a consumer-
11 facing context; or
- 12 (8) Any other category designated by the director by rule
13 as a consequential decision due to a comparable risk
14 of material financial, reputational, or legal harm.

15 "Deployer" means a person that uses, operates, or makes
16 available an AI system or automated decision tool in the course
17 of business in the State, including use through a vendor, when
18 the system or tool is used to interact with a consumer or to
19 make, inform, or materially influence a consequential decision.

20 "Executive director" means the executive director of the
21 office of consumer protection.



1 "Generative artificial intelligence service" means an AI
2 system that generates, in response to prompts or other inputs,
3 content such as text, images, audio, video, computer code, or
4 other synthetic output.

5 "High-risk AI system" means an AI system or automated
6 decision tool that is used to make, or is a substantial factor
7 in making, a consequential decision.

8 "Materially influence" means that an output is used in a
9 manner that could change the outcome of a decision, the terms of
10 a decision, or the process used to reach a decision, including
11 use as a gatekeeping score, recommendation, ranking,
12 classification, or flag.

13 "Vendor" means a person that provides, licenses, hosts,
14 maintains, or materially modifies an AI system or automated
15 decision tool on behalf of a deployer.

16 **S480-B Disclosure when interacting with an AI system.** (a)
17 A deployer that uses an AI system, including a generative
18 artificial intelligence service, to interact with a consumer in
19 a consumer-facing communication shall provide a clear and
20 conspicuous disclosure, at the beginning of the interaction and



1 at reasonable intervals as necessary to avoid deception, that
2 the consumer is interacting with an AI system.

3 (b) Subsection (a) shall not be construed to prohibit the
4 use of a live human agent; provided that when a human agent
5 joins or assumes control of the interaction, the deployer shall
6 not misrepresent the identity of the agent.

7 (c) The disclosure required by this section may be
8 provided by text, audio, or another method reasonably calculated
9 to be understood by the consumer given the communication
10 channel.

11 **§480-C Disclosures for consequential decisions; notice and**
12 **explanation.** (a) If a deployer uses a high-risk AI system to
13 make, inform, or materially influence a consequential decision,
14 the deployer shall provide the consumer, in plain language and
15 in a timely manner:

16 (1) Notice that a high-risk AI system was used to make,
17 inform, or materially influence the consequential
18 decision;

19 (2) A description of the type of information used by the
20 system and the primary factors that materially
21 contributed to the decision; and



§480-D Right to correction, appeal, and human review. (a)

17 A deployer that uses a high-risk AI system to make, inform, or
18 materially influence a consequential decision shall implement a
19 reasonable process by which a consumer may:
20 (1) Request correction of inaccurate personal information
21 used in the decision;



7 (c) A deployer shall provide a written response to a
8 consumer request under this section within a reasonable period,
9 and shall include:

10 (1) The outcome of the reconsideration;

11 (2) If the adverse action is upheld, an explanation of the

12 basis for the determination in plain language; and

13 (3) Any additional steps available to the consumer through

14 internal appeal, customer dispute channels, or

15 applicable external rights.

16 (d) This section shall not be construed to require a
17 deployer to provide human review when doing so would:
18 (1) Prevent the deployer from complying with state or
19 federal law; or
20 (2) Compromise the security or integrity of systems or
21 fraud-prevention processes;



1 provided that the deployer shall document the basis for invoking
2 this subsection and shall provide the consumer with notice of
3 the limitation and an alternative dispute channel reasonably
4 available to the consumer.

5 **S480-E AI user agreement; prohibited waivers.** (a) A
6 deployer that provides a consumer-facing AI interaction shall
7 make available, prior to or at the time of interaction, a clear
8 and conspicuous AI user agreement that describes, in plain
9 language:

10 (1) The nature of the AI interaction and known material
11 limitations of the AI system, including the risk of
12 inaccurate or fabricated output;

13 (2) The categories of data collected from the consumer
14 during the interaction and how the data will be used,
15 retained, and shared;

16 (3) How a consumer may reach a human representative,
17 submit a complaint, and dispute a charge, decision, or
18 other outcome tied to the AI interaction; and

19 (4) Any material ways the deployer uses the AI interaction
20 to make, inform, or materially influence consequential
21 decisions.



§480-F Duty of reasonable care; risk management program

6 **for high-risk AI systems.** (a) A deployer and vendor shall use
7 reasonable care to protect consumers from any known or
8 reasonably foreseeable material risks of:

9 (1) Algorithmic discrimination;

10 (2) Material errors, including systematic reliability
11 failures; and

12 (3) Cybersecurity and data integrity failures that
13 materially affect the reliability or security of
14 outputs.

15 (b) Before deploying a high-risk AI system, and throughout
16 the period of deployment, a deployer shall implement and
17 maintain a written risk management program that is risk-based
18 and proportionate to the nature of the consequential decisions
19 and the degree of potential harm to consumers, and that
20 includes:



- 1 (1) Governance and accountability for AI system use,
2 including designation of responsible personnel;
- 3 (2) Documented policies and procedures covering
4 procurement, development, use, monitoring, incident
5 response, and retirement of high-risk AI systems;
- 6 (3) Data governance controls addressing data quality,
7 relevance, limitations, and reasonably practicable
8 data lineage;
- 9 (4) Pre-deployment testing and ongoing monitoring designed
10 to detect material errors, model drift, and
11 algorithmic discrimination;
- 12 (5) Controls addressing vendor and third-party risks,
13 including contract terms requiring reasonable
14 cooperation with oversight, auditing, and consumer
15 dispute handling; and
- 16 (6) Recordkeeping sufficient to demonstrate compliance
17 with this part.

18 (c) At least annually, and upon any intentional and
19 substantial modification of a high-risk AI system, a deployer
20 shall complete an internal impact assessment that evaluates:



- 1 (1) The system's intended use and reasonably foreseeable
2 misuse;
- 3 (2) The categories of data used and material limitations;
- 4 (3) The reasonably foreseeable risks of material consumer
5 harm, including financial and reputational harm;
- 6 (4) The steps taken to mitigate material risks, including
7 algorithmic discrimination; and
- 8 (5) A summary of monitoring results and identified
9 material issues, if any.

10 (d) Impact assessments and risk management program
11 documentation shall be retained for not less than five years
12 after the system is retired or materially modified, whichever is
13 later, and shall be made available to the executive director or
14 the attorney general upon request; provided that confidential
15 commercial information shall be protected to the extent
16 permitted by law.

17 **§480-G Documentation, consumer dispute records, and access**

18 **to relevant outputs.** (a) When an AI system output is used as a

19 substantial factor in an adverse action, the deployer shall

20 maintain documentation sufficient to:



1 (1) Identify the system used, the nature of the output
2 relied upon, and the decision process;
3 (2) Support the disclosures required by section 480-C; and
4 (3) Support meaningful reconsideration and human review
5 under section 480-D.

6 (b) Upon request by a consumer and to the extent
7 reasonably necessary to support dispute resolution, a deployer
8 shall provide the consumer with access to relevant records,
9 including a copy or summary of the information used by the high-
10 risk AI system and the output that was relied upon as a
11 substantial factor; provided that the deployer shall not be
12 required to disclose proprietary source code or trade secrets.

13 **§480-H Incident reporting.** (a) A deployer shall notify
14 the executive director and the attorney general within ninety
15 days after discovering:

16 (1) A material violation of this part affecting a class of
17 consumers; or
18 (2) That a high-risk AI system caused or materially
19 contributed to algorithmic discrimination or other
20 material consumer harm.

21 (b) The notification shall include a description of:



§480-I Liability and unfair or deceptive acts or

10 **practices.** (a) A deployer shall not represent, expressly or by
11 implication, that:

12 (1) A consumer is required to accept an AI-generated
13 output as accurate or binding; or
14 (2) The deployer is not responsible for an act or omission
15 because an AI system generated, recommended, or
16 performed the act.

17 (b) A violation of this part shall constitute an unfair or
18 deceptive act or practice under section 480-2.

19 (c) Nothing in this part shall be construed to diminish
20 any obligation under state or federal civil rights, fair



1 housing, consumer credit, insurance, employment, privacy, data
2 security, or other applicable law.

3 **S480-J Rules.** The executive director may adopt rules
4 pursuant to chapter 91 to implement this part, including rules:

5 (1) Further defining consequential decisions and high-risk
6 AI systems based on consumer risk;

7 (2) Establishing minimum standards for disclosures,
8 timing, and consumer-facing format;

9 (3) Establishing baseline elements for risk management
10 programs and impact assessments proportionate to risk;
11 and

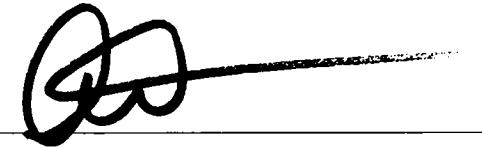
12 (4) Establishing procedures for submission and protection
13 of confidential and proprietary information."

14 SECTION 3. If any provision of this Act, or the
15 application thereof to any person or circumstance, is held
16 invalid, the invalidity does not affect other provisions or
17 applications of the Act that can be given effect without the
18 invalid provision or application, and to this end the provisions
19 of this Act are severable.



1 SECTION 4. This Act shall take effect upon its approval.

2

INTRODUCED BY: 



S.B. NO. 2967

Report Title:

Office of Consumer Protection; Executive Director; Attorney General; Artificial Intelligence; Consumer Protection; Disclosures; Algorithmic Discrimination; Unfair and Deceptive Acts or Practices; Appeals; Risk Management

Description:

Establishes consumer protection requirements for the use of artificial intelligence systems in consumer interactions and consequential decisions, including disclosures, documentation, and a right to correction, appeal, and human review. Makes certain violations an unfair or deceptive act or practice. Requires risk management and impact assessments for high-risk artificial intelligence systems. Requires incident reports to the Executive Director of the Office of Consumer Protection and the Attorney General.

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