THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1563

JAN 2 3 2025

A BILL FOR AN ACT

RELATING TO INSURANCE.

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

SECTION 1. The legislature finds that policyholders often lack sufficient information about how insurance rates are determined. This lack of transparency undermines consumer confidence and fosters distrust in the insurance industry. Drawing inspiration from states that have implemented robust insurance rate regulation and transparency measures that have successfully balanced consumer protection with market stability, the legislature finds that these measures aim to empower consumers through enhanced access to information, strengthen advocacy for fair treatment, and protect against arbitrary or unfair rate-setting practices. By fostering a more transparent and equitable insurance market, these provisions seek to promote greater trust and accountability within the industry.

Accordingly, the purpose of this Act is to:

(1) Establish rate transparency requirements for insurance companies operating in the State; and

(2) Establish an office of insurance consumer affairs within the insurance division of the department of commerce and consumer affairs to provide oversight, information, and consumer advocacy.

SECTION 2. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

"CHAPTER

INSURANCE RATE TRANSPARENCY

§ **-1 Definitions.** As used in this chapter unless the context otherwise requires:

"Department" means the department of commerce and consumer affairs.

"Insurance company" means any entity providing personal or commercial insurance policies within this State.

"Material changes" means adjustments to rates resulting in a premium increase of more than ten per cent for any policyholder.

"Office" means the office of insurance consumer affairs established by section -2.

"Policyholder" means any individual or entity holding an active insurance policy.

"Rate calculation factors" means all variables, data points, and algorithms used by an insurance company to calculate a policyholder's premium.

§ -2 Office of insurance consumer affairs; established. (a) There is established the office of insurance consumer affairs within the insurance division of the department of commerce and consumer affairs.

(b) The office shall:

(1) Advocate for policyholders in rate approval hearings, disputes, and other regulatory proceedings;

(2) Monitor insurance companies' compliance with rate transparency requirements pursuant to this chapter;

(3) Develop and distribute plain-language guides to help policyholders understand the methodologies used for rate setting and to summarize policyholders' rights pursuant to state and federal law;

(4) Provide support to policyholders seeking to dispute rate increases, including mediation and arbitration services;

(5) Host regular public forums to gather input from consumers on insurance companies' rate setting practices and their impacts; and

(6) Publish on the department's website an annual report summarizing complaints, enforcement actions, and recommendations for improving consumer protections in the insurance sector.

(c) The office may:

(1) Access relevant data, commission studies, and collaborate with other consumer advocacy organizations to strengthen its oversight capabilities; and

(2) Recommend penalties when insurance companies fail to comply with this chapter; provided that the penalties shall be subject to the department's approval.

§ -3 **Rate transparency requirements.** (a) Each insurance company operating in the State shall provide a detailed explanation of the company's rate setting practices to all policyholders upon the issuance or renewal of a policy. The explanation shall include information on:

(1) All rate calculation factors used in the rate determination, including, where applicable, credit

scores, geographic location, claims history, and any other weighted variables;

(2) The percentage each factor contributes to the calculation of the total insurance premium; and

(3) Any actuarial models, machine learning algorithms, or third-party tools utilized in the calculation process.

(b) If material changes are made to a policyholder's rates, the policyholder shall be notified at least sixty days before the changes take effect. The notification shall:

(1) Clearly state the reasons for the rate adjustment;

(2) Provide specific examples of how the adjustment may impact the policyholder; and

(3) Include a summary of the policyholder's rights and instructions on how to dispute a rate increase.

(c) No later than and annually thereafter, each insurance company shall:

(1) Submit its rate setting methodologies to the office of insurance consumer affairs for approval; and

(2) Make available non-proprietary summaries of the methodologies to be posted on the department's website.

§ **-4 Rate changes.** (a) All rate changes shall be submitted to the office of insurance consumer affairs for approval. Submissions shall include:

(1) Actuarial justifications for the proposed rate change;

(2) Historical data supporting the change; and

(3) A discussion of the projected impact of the change on policyholders.

(b) The department shall conduct public hearings for all significant rate changes and shall invite comments from consumers, advocacy groups ,and other stakeholders.

(c) The office shall represent policyholders' interests in all hearings and proceedings related to rate changes.

§ **-5 Consumers' rights.** (a) Each policyholder may request at any time and receive from their insurance company within thirty days of a written request a full breakdown of the rate calculation data for that policyholder, including specific factors, weights, and assumptions.

(b) A policyholder may challenge rate calculations through mediation and arbitration processes provided by the office of insurance consumer affairs.

§ **-6 Penalties.** An insurance company that is found to be in violation of this chapter shall be subject to:

(1) Fines of up to $50,000 per instance of non-compliance;

(2) Restitution payments to the affected policyholders; and

(3) For repeated violations, suspension of the insurance company's license.

§ **-7 Rulemaking.** The department may adopt rules pursuant to chapter 91 as necessary to implement this chapter."

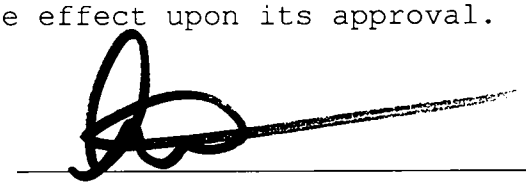
SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2025-2026 and the same sum or so much thereof as may be necessary for fiscal year 2026-2027 to implement section 2 of this Act.

The sums appropriated shall be expended by the department of commerce and consumer affairs for the purposes of this Act.

SECTION 4. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

S.B. NO. 1563

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

INTRODUCED BY: 

S.B. NO. 1563

Report Title:
DCCA; Insurance; Rate Transparency; Consumer Advocacy; Appropriation

Description:
Establishes rate transparency requirements for insurance companies operating in the State. Establishes and appropriates moneys for an Office of Insurance Consumer Affairs within the Insurance Division of the Department of Commerce and Consumer affairs to provide oversight, information, and consumer advocacy.

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