

# H .B. NO. 2322

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## A BILL FOR AN ACT

RELATING TO EXPEDITED INSURANCE RATE REDUCTIONS.

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

1           SECTION 1. Section 431:14-104, Hawaii Revised Statutes, is  
2 amended by amending subsection (k) to read as follows:

3           "(k) The following rates shall become effective when  
4 filed:

5           (1) Specific inland marine rates on risks specially rated  
6 by a rating organization;

7           (2) Any special filing with respect to a surety or  
8 guaranty bond required by law or by court or executive  
9 order or by order or rule of a public body, not  
10 covered by a previous filing; [and]

11           (3) Any special filing with respect to any class of  
12 insurance, subdivision, or combination thereof which  
13 is subject to individual risk premium modification and  
14 has been agreed to by an insured under a formal or  
15 informal bid process[-]; and

16           (4) Any rate filing that when filed constitutes a  
17 reduction of not more than ten per cent below the rate

1           in effect and approved by the commissioner; provided  
2           that the insurer may increase the rate up to the  
3           amount of the previously approved rate without the  
4           approval of the commissioner upon filing that increase  
5           with the commissioner.

6 The rates shall be deemed to meet the requirements of this  
7 article until the time the commissioner reviews the filing and  
8 so long as the filing remains in effect."

9           SECTION 2. Section 431:14-120, Hawaii Revised Statutes, is  
10 amended by amending subsection (b) to read as follows:

11           "(b) Except as provided herein<sup>[7]</sup> and in section 431:14-  
12 104(k), each filing shall be on file for a waiting period of  
13 ninety days before the filing becomes effective. The period may  
14 be extended by the commissioner for an additional period not to  
15 exceed fifteen days if the commissioner gives written notice  
16 within the waiting period to the insurer, rating organization,  
17 or advisory organization that made the filing that the  
18 commissioner needs the additional time for the consideration of  
19 the filing. Upon the written application by the insurer, rating  
20 organization, or advisory organization, the commissioner may  
21 authorize a filing which the commissioner has reviewed to become  
22 effective before the expiration of the waiting period or any

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1 extension thereof. A filing shall be deemed to meet the  
2 requirements of this article unless disapproved by the  
3 commissioner within the waiting period or any extension  
4 thereof."

5 SECTION 3. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 4. This Act shall take effect on July 1, 2006.

8  
9 INTRODUCED BY:

Calvin K. Boy

10 BY REQUEST

JAN 23 2006

JUSTIFICATION SHEET

DEPARTMENT: Commerce and Consumer Affairs

TITLE: A BILL FOR AN ACT RELATING TO EXPEDITED INSURANCE RATE REDUCTION.

PURPOSE: To allow any property and casualty rate filing that when filed constitutes a reduction of not more than 10 percent below the rate in effect and approved by the Insurance Commissioner ("Commissioner") to become effective without prior approval. If the insurer has made a reduction of the rate by not more than 10 percent, the insurer may increase the rate up to the amount of the previously approved rate without the approval of the Commissioner upon filing that increase with the Commissioner.

MEANS: Amend sections 431:14-104(k) and 431:14-120(b), Hawaii Revised Statutes (HRS).

JUSTIFICATION: Currently, insurers must request and obtain prior approval from the Commissioner of any rate change, including rate reductions.

The proposed "file and use" procedure will likely result in lower administrative costs for insurers, improved consumer benefits, and a more efficient marketplace.

Impact on the public: There should be a positive impact on the public as insurers are allowed to offer rate reductions upon filing of the rate reduction.

Impact on the department and other agencies: This will increase the efficiency of the Department.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM

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DESIGNATION: CCA-106.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: July 1, 2006.