
A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1 SECTION 1. The legislature finds that reinsurance is a
2 means of reducing an insurer's risk by establishing a contract
3 that transfers risk to a reinsurance company, which assumes
4 either a portion of or the entirety of one or more of the
5 liabilities taken on by the initial insurer.

6 The legislature further finds that rising global
7 temperatures associated with climate change have increased
8 severe weather events and, as a result, reinsurance companies
9 are having to drastically raise their prices in order to assure
10 coverage of future liabilities. In Florida, the Florida
11 Hurricane Catastrophe Fund is a state trust fund that provides
12 reimbursement to residential property insurance companies for a
13 portion of their catastrophic hurricane losses, with reinsurance
14 coverage provided to insurers at a lower cost than the private
15 reinsurance market. Establishing a similar program in Hawaii
16 may help homeowners and insurance companies address the



1 increased risk of catastrophic events like the August 2023 Maui
2 wildfires.

3 The legislature also finds that it must weigh and consider
4 the State's options within the current economic landscape,
5 viewing this juncture as an opportunity to pursue insurance
6 frameworks and programs that are innovative and existing outside
7 the traditional insurance coverage pathways. The legislature
8 posits that captive insurance subsidiaries are well positioned
9 to manage risks efficiently, functioning as specialized risk
10 management tools that move in the direction of increased
11 regulatory compliance while promoting consistency and efficiency
12 in local and global financial markets. The establishment of a
13 working group to assess the viability of accessing global
14 financial markets in pursuit of risk mitigation for the State,
15 formation of conducive regulatory environments that will allow
16 for the implementation of these specialized financial tools, and
17 promotion of market stability and sustained growth can assist
18 the legislature in generating innovative solutions that address
19 the increasing insurance costs for consumers in the State.

20 Accordingly, the purpose of this Act is to establish a
21 working group within the department of commerce and consumer



1 affairs to gather information to assist the legislature in
2 generating innovative solutions that address the increasing
3 insurance costs for consumers in the State.

4 SECTION 2. (a) There is established within the department
5 of commerce and consumer affairs a state reinsurance exploratory
6 working group to assist the legislature in generating innovative
7 solutions that address the increasing insurance costs for
8 consumers in the State.

9 (b) The working group shall consist of the following
10 members or their designees:

11 (1) The insurance commissioner, who shall serve as the
12 chair of the working group;

13 (2) The director of taxation;

14 (3) One member appointed by the president of the senate;
15 and

16 (4) One member appointed by the speaker of the house of
17 representatives.

18 (c) The chair of the working group shall invite the
19 following persons to be members of the working group:

20 (1) A representative from an insurance company that sells
21 property and casualty insurance in the State;



- 1 (2) A representative of a reinsurance company that
2 operates in the State;
- 3 (3) A representative of the Hawaii Association of
4 Realtors;
- 5 (4) A representative of the Hawaii Insurers Council;
- 6 (5) A representative of a bank that operates in the State;
7 and
- 8 (6) A representative of a mortgage lender that operates in
9 the State.
- 10 (d) The working group shall:
- 11 (1) Evaluate existing insurance programs, including the
12 regulatory and legal frameworks that govern these
13 programs;
- 14 (2) Assess any regulatory gaps and shortcomings of the
15 current insurance system, including solvency
16 requirements, long term investment schemes,
17 capitalization standards, and existing government
18 structures;
- 19 (3) Review the State's existing ability to conduct risk
20 assessments and the development of specialized risk



1 assessment tools for different types of risks and
2 industry operations in the State;

3 (4) Identify areas where stakeholder engagement and
4 investment can promote collaboration to address
5 industry-specific issues;

6 (5) Identify best practices and develop comprehensive
7 policies to produce recommendations that will promote
8 overall market growth; and

9 (6) Establish mechanisms for ongoing monitoring, assess
10 financial tools necessary for data collection, and
11 form policies that remain responsive to market
12 dynamics, fluctuations, and evolving regulatory
13 challenges.

14 (e) The members of the working group shall serve without
15 compensation but shall be reimbursed for reasonable expenses,
16 including travel expenses, necessary for the performance of
17 their duties.

18 (f) The working group shall submit a report of its
19 findings and recommendations, including any proposed
20 legislation, to the legislature no later than twenty days prior
21 to the convening of the regular session of 2025.



1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$ or so
3 much thereof as may be necessary for fiscal year 2024-2025 for
4 administrative costs of the working group.

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

7 SECTION 4. In accordance with section 9 of article VII of
8 the Hawaii State Constitution and sections 37-91 and 37-93,
9 Hawaii Revised Statutes, the legislature has determined that the
10 appropriations contained in H.B. No. , will cause the state
11 general fund expenditure ceiling for fiscal year 2024-2025 to be
12 exceeded by \$ or per cent. In addition, the
13 appropriation contained in this Act will cause the general fund
14 expenditure ceiling for fiscal year 2024-2025 to be further
15 exceeded by \$ or per cent. The combined total
16 amount of general fund appropriations contained in only these
17 two Acts will cause the state general fund expenditure ceiling
18 for fiscal year 2024-2025 to be exceeded by
19 \$ or per cent. The reasons for exceeding the
20 general fund expenditure ceiling are that:



1 (1) The appropriation made in this Act is necessary to
2 serve the public interest; and

3 (2) The appropriation made in this Act meets the needs
4 addressed by this Act.

5 SECTION 5. This Act shall take effect on July 1, 3000.



Report Title:

DCCA; State Reinsurance Exploratory Working Group; Report;
Expenditure Ceiling; Appropriation

Description:

Establishes within the Department of Commerce and Consumer Affairs the State Reinsurance Exploratory Working Group to gather information to assist the Legislature in generating innovative solutions that address increasing insurance costs to consumers in the State. Requires a report to the Legislature. Declares that the general fund expenditure ceiling is exceeded. Appropriates funds. Effective 7/1/3000. (SD1)

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