
A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1 SECTION 1. Section 431:14-101.5, Hawaii Revised Statutes,
2 is amended by amending the definition of "prospective loss
3 costs" to read as follows:

4 ""Prospective loss costs" means that portion of a rate that
5 does not include provisions for expenses (other than loss
6 adjustment expenses) or profit, and are based on [~~historical~~
7 ~~aggregate losses~~] catastrophe modeling and loss adjustment
8 expenses adjusted through development to their ultimate value
9 and projected through trending to a future point in time."

10 SECTION 2. Section 431:14-103, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) Rates shall be made in accordance with the following
13 provisions:

14 (1) Rates shall not be excessive, inadequate, or unfairly
15 discriminatory.

16 (2) Due consideration shall be given to:



- 1 (A) ~~[Past and prospective]~~ Prospective loss
- 2 experience within and outside this State;
- 3 provided that if the claim does not exceed the
- 4 selected deductible amount pursuant to section
- 5 386-100, and the employer reimburses the insurer
- 6 for the amount, the claims shall not be
- 7 calculated in the employer's experience rating or
- 8 risk category;
- 9 (B) The conflagration and catastrophe hazards, if
- 10 any;
- 11 (C) A reasonable margin for underwriting profit and
- 12 contingencies;
- 13 (D) Dividends, savings, or unabsorbed premium
- 14 deposits allowed or returned by insurers to their
- 15 policyholders, members, or subscribers;
- 16 (E) Past and prospective expenses both country-wide
- 17 and those specially applicable to this State;
- 18 (F) Investment income from unearned premium and loss
- 19 reserve funds; and
- 20 (G) All other relevant factors within and outside
- 21 this State.



- 1 (3) In the case of fire insurance rates, consideration
2 shall be given to the experience of the fire insurance
3 business during a period of not less than the most
4 recent five-year period for which that experience is
5 available.
- 6 (4) The systems of expense provisions included in the
7 rates for use by any insurer or group of insurers may
8 differ from those of other insurers or groups of
9 insurers to reflect the requirements of the operating
10 methods of any insurer or group with respect to any
11 class of insurance, or with respect to any subdivision
12 or combination thereof for which subdivision or
13 combination separate expense provisions are
14 applicable.
- 15 (5) Risks may be grouped by classifications for the
16 establishment of rates and minimum premiums.
17 Classification rates may be modified to produce rates
18 for individual risks in accordance with rating plans
19 that establish standards for measuring variations in
20 hazards or expense provisions, or both. These
21 standards may measure any differences among risks that



1 can be demonstrated to have a probable effect upon
2 losses or expenses. No risk classification may be
3 based upon race, creed, national origin, or the
4 religion of the insured.

5 (6) Manual, minimum, class rates, rating schedules, or
6 rating plans shall be made and adopted, except in the
7 case of:

8 (A) Special rates where manual, minimum, class rates,
9 rating schedules, or rating plans are not
10 applicable; and

11 (B) Specifically rated inland marine risks.

12 (7) No insurer authorized to do business in this State
13 shall issue any policy that provides or makes
14 available to any risks preferred rates based upon any
15 grouping of persons, firms, or corporations by way of
16 membership, license, franchise, contract, agreement,
17 or any other means, other than common majority
18 ownership of the risks, or except where:

19 (A) A common stock ownership in and management
20 control of the risks are held by the same person,
21 corporation, or firm;



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1 (B) Permitted or authorized by filings in existence
 2 as of January 1, 1988, under the casualty rating
 3 law and the fire rating law, as these filings may
 4 be amended from time to time;

5 (C) Health care providers, as defined in section
 6 671-1 that could have joined the patients'
 7 compensation fund as it existed in chapter 671,
 8 part III, prior to May 31, 1984, joined together
 9 with one or more groups of related or unrelated
 10 health care providers;

11 (D) Permitted under article 12; or

12 (E) Otherwise expressly provided by law.

13 (8) No insurer shall base any rates on past loss
 14 experience within or outside this State."

15 SECTION 3. Statutory material to be repealed is bracketed
 16 and stricken. New statutory material is underscored.

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

18

INTRODUCED BY: Elle Lochan

JAN 19 2024



H.B. NO. 2143

Report Title:

Insurance; Ratemaking; Past Loss Experience; Catastrophe Modeling

Description:

Amends the definition of "prospective loss costs" to incorporate catastrophe modeling instead of historical aggregate losses. Prohibits insurers from basing certain insurance rates on past loss experience within or outside the State.

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