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**OFFICE OF THE DIRECTOR**  
**DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the**  
**Senate Committee on Commerce and Consumer Protection**  
**and**  
**Senate Committee on Energy, Economic Development, and Tourism**

**Wednesday, February 7, 2024**

**9:30a.m.**

**State Capitol, Rm. 229 & via Videoconference**

**On the following measure:**

**S.B. 3234, RELATING TO THE STABILIZATION OF PROPERTY INSURANCE**

Chairs Keohokalole and DeCoite, and Members of the Committees:

My name is Gordon Ito, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. We offer comments on this bill.

The purposes of this bill are to: (1) amend the laws relating to the Hawai'i Hurricane Relief Fund and Hawai'i Property Insurance Association; (2) expand the Hawai'i Property Insurance Association's authority to include the issuance of property insurance other than fire insurance for certain real properties organized as a condominium; (3) reinstate the special mortgage recording fee; (4) explicitly authorize the Hawai'i Property Insurance Association to issue property insurance policies to certain condominiums outside of area designated for coverage by the Hawai'i Property Insurance Association; (5) mandate that the Hawai'i Property Insurance Association

member insurers recoup assessment costs; (6) amend specific coverage limits, fund capitalization amounts, and assessment percentages by deleting specified dollar amounts percentages; and (7) authorize the Hawai'i Hurricane Relief Fund and the Hawai'i Property Insurance Association boards to recommend appropriate amounts and percentages to the Insurance Commissioner.

We support the intent of addressing the availability of master condominium insurance policies. Hawai'i is experiencing a hard market for this product. We note that a major contributing factor is the poor condition of certain condominium buildings caused by deferred maintenance and/or aging infrastructure.

We note that there is one section in the bill with conflicting language. Section 14 of the bill amends subsection Hawai'i Revised Statutes section 431P-5(b)(8)(A) by removing the post event increased assessment rate up to five percent. (see p. 40, lines 8-13). This conflicts with the following sentence, page 40, lines 13-17 which is no longer necessary should the previous sentence be deleted. However, consideration should be given to retaining the post event rate increase up to five percent in the event of a significant hurricane loss.

Thank you for the opportunity to testify on this bill.



Testimony of  
**Gwen Yamamoto Lau**  
Executive Director  
**Hawai'i Green Infrastructure Authority**  
before the  
**SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**  
And  
**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**  
Wednesday, February 7, 2024, 9:30 AM  
State Capitol, Conference Room 229  
in consideration of  
**Senate Bill No. 3234**  
**RELATING TO THE STABILIZATION OF PROPERTY INSURANCE**

Chairs Keohokalole and DeCoite, Vice Chairs Fukunaga and Wakai, and Members of the Committees:

Thank you for the opportunity to testify on SB 3234, relating to the stabilization of property insurance. The Hawai'i Green Infrastructure Authority (HGIA) **supports** this bill which expands the Hawaii Property Insurance Association's authority to include the issuance of property insurance for condominiums.

With approximately 55% of all condo units in Hawaii built prior to 1980<sup>1</sup>, there are a significant number of 40+-year old condominium projects requiring replacements, upgrades and retrofits, including repiping, spalling, windows and railings and alarms<sup>2</sup>, all of which are costly and complicated. Providing a temporary insurance safety net for Condominium projects unable to access insurance, will provide Association leadership up to five years to plan, coordinate and implement necessary upgrades to increase its ability to obtain insurance in the condominium insurance marketplace.

Thank you for this opportunity to provide comments and testify in support of SB 3234.

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<sup>1</sup> "Why Hawaii's Aging Condos Can't Afford to Defer Maintenance," First Insurance Company of Hawaii, January 5, 2004.

<sup>2</sup> "A Condominium Can Last Hundreds of Years, But Not Its Components," Hawaii Business Magazine, August 31, 2020.

## TESTIMONY OF MICHAEL ONOFRIETTI

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### COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair  
Senator Carol Fukunaga, Vice Chair

### COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair

Wednesday, February 7, 2024  
9:30 a.m.

### **SB 3234**

Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce and Consumer Protection, and Chair DeCoite and Vice Chair Wakai, and members of the Committee on Energy, Economic Development, and Tourism, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Actuarial Services, Product Development & Management for Island Insurance and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit association of property and casualty insurance companies licensed to do business in Hawaii. Members companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

The Hawaii Insurers Council **supports** this bill. This bill is a product of the Working Group on Property Insurance Stabilization that comprised representatives from both the House and Senate, insurance companies, insurance agents, mortgage lenders, bankers, realtors, and condominium buildings.

The purpose of the bill is to amend two existing laws, the Hawaii Property Insurance Association (HPIA) and the Hawaii Hurricane Relief Fund (HHRF) to enable these entities to underwrite certain insurance risks in the state that no standard insurer is willing to underwrite. Those risks are as follows: Condominium buildings for hurricane only coverage, condominium buildings for all other coverage excluding hurricane, condominium

unit coverage excluding hurricane, single family homes for hurricane coverage, and single-family homes for all other coverage excluding hurricane. New capital is added to accommodate the expansion of risk and to broaden the base for those who contribute. In addition to insurance assessments, the bill provides for a conveyance tax increase to be allocated to each fund, a transient vacation rental tax increase to be allocated to each fund, and a mortgage recordation fee increase to the Hawaii hurricane relief fund.

These markets of last resort are designed to stabilize the insurance market until which time they are depopulated back to standard insurance companies either because market conditions have changed to accommodate the risks and/or the risks themselves have become more insurable, for instance, because of re-piping of a building or mitigation for fire, wildfire, or hurricane risk.

The goal of the legislation is to encourage property insurers to remain in the state, to encourage condominium buildings to be repaired and maintained, and to allow lenders to meet the requirements of the secondary mortgage market.

The HPIA was originally enacted in the early 1990's to accommodate homes allowed to be built in lava zones 1 and 2 on Hawaii Island. However, it is designed as a market of last resort for *all* residential properties that cannot find coverage in the standard market.

Today, HPIA underwrites single family home and condominium unit insurance outside lava zones 1 and 2, statewide. There is a need now for condominium unit coverage excluding hurricane coverage, possibly single-family home insurance excluding hurricane coverage, and possibly condominium building coverage excluding hurricane. The scope of risk to be added to HPIA is undetermined because the greatest risk for losses exists in the condominium buildings' water losses and the number of buildings that could need insurance is unknown. A secondary risk for condominium buildings is fire. In addition, there could be a large number of condominium unit owners who need to purchase insurance with high limits to accommodate the building master policies' high deductibles. Finally, it is expected that market conditions and wildfire risk could cause some retraction in the single-family home insurance market and those risks will seek coverage from HPIA.

The HHRF was enacted also in the early 1990's post Hurricane-Iniki to underwrite hurricane-only insurance primarily for residential single-family homes and small commercial businesses. It was in place for approximately 9 years before a hurricane-only insurer came into the standard market and depopulated the Fund. There is a need now for condominium building hurricane insurance and possibly single-family home hurricane insurance coverage. Condominium buildings that are underinsured for the hurricane risk are estimated to be between 375-390 buildings. The number of single-family homes that could need hurricane insurance is unknown at this time but some retraction in the market is expected due to the high cost of reinsurance for standard insurers, the potential for insurers to reduce their exposures because of geographical concentration, and the potential for insurers to reduce their wildfire exposure.

We urge passage of this bill. Thank you for the opportunity to testify.



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 7, 2024

TO: Senator Jarrett Keohokalole  
Chair, Committee on Commerce and Consumer Protection

Senator Lynne DeCoite  
Chair, Committee on Energy, Economic Development, and Tourism

*Submitted Via Capitol Website*

FROM: Tiffany Yajima / Mihoko Ito

RE: **S.B. 3234 – Relating to the Stabilization of Property Insurance**  
**Hearing Date: Wednesday, February 7, 2024 at 9:30 a.m.**  
**Conference Room: 229**

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Dear Chair Keohokalole, Chair DeCoite, and Members of the Joint Committees:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

HBA is in **support** of this measure to capitalize the Hawaii Property Insurance Association and capitalize and reactivate the Hawaii Hurricane Relief Fund. This measure is intended to help stabilize the property insurance market so that insurers can continue to insure properties in the State. It would also encourage the repair and maintenance of condominium buildings thereby allowing lenders to meet the requirements of the secondary mortgage market.

To alleviate the high cost of insurance premiums, condominium boards are increasingly electing to reduce the amount of insurance coverage of condominiums. Unfortunately, this can have the unintended consequence of impacting mortgage loans for units in these condominiums because federal guidelines on Fannie Mae and Freddie Mac prohibit these entities from purchasing mortgages on condominium units that are underinsured.

Even if a lender wants to issue a loan for a unit in an underinsured condominium, holding a loan secured by underinsured collateral could affect that lender's safety and soundness rating. In addition, a lender's ability to provide low down-payment financing with mortgage insurance may be impaired by an insurer's unwillingness to insure condo projects that do not meet Fannie Mae's or Freddie Mac's guidelines. As a result, first-time homebuyers and low- to moderate-income borrowers would be disproportionately adversely impacted.

Capitalizing the Hawaii Property Insurance Association and the Hawaii Hurricane Relief Fund will enable these entities to underwrite certain insurance risks in the State that no standard insurer is currently willing to underwrite. As an insurer of last resort, these entities could help to stabilize the property insurance market until market conditions improve.

For these reasons, we support this measure and ask the committee to pass this for further consideration. Thank you for the opportunity to submit this testimony.



To:            The Honorable Jarrett Keohokalole, Chair  
                  The Honorable Carol Fukunaga, Vice Chair  
                  Senate Committee on Commerce and Consumer Protection

                  The Honorable Glenn Wakai, Chair  
                  The Honorable Brandon J.C. Elefante, Vice Chair  
                  Senate Committee on Public Safety and Intergovernmental and Military Affairs

From:         Mark Sektnan, Vice President

Re:            **SB 3230 - Relating to Insurance**  
                  **APCIA Position: Oppose**

Date:         Wednesday, February 7, 2024; 9:35 AM

Aloha Chairs Keohokalole and Wakai, Vice Chairs Fukunaga and Elefante and members of the Committees:

The American Property Casualty Insurance Association respectfully *opposes* **SB 3230** which would impose burdensome regulatory requirements on insurers who consider wildfire risk in their underwriting. The bill would also mandate extended time periods for rebuilding and require the sale of replacement cost policies. The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

### **PART I - Wildfire Risk Models**

This section appears to be modeled after similar burdensome regulations recently adopted in California, including multiple provisions which APCIA opposed. Recognizing the costly, cumbersome, and overly prescriptive nature of the provisions, and the unintended consequences the California regulation has had on the market, other states have taken a less prescriptive approach. Recognizing these challenges and potential adverse impacts for Hawaii consumers, APCIA opposes the language proposed under this bill and strongly recommends against enacting into Hawaii statute.

Here are some of the key issues:

- Wildfire risk models must be submitted to the Insurance Commissioner and open for public inspection.

APCIA is not opposed to insurers filing wildfire risk models with the Commissioner if reasonable and appropriate confidentiality protections are provided. However, failure to provide such intellectual property protections often can result in trade secret violations and in turn could prevent the most advanced modeling tools from being made available to Hawaii insurers, as modeling firms choose not to expose their proprietary information. Modeling firms routinely work with insurance regulators in other states to provide access to how their models work, while not exposing to the public their specific algorithms. California is an outlier in this regard, and we encourage the bill sponsor to ensure appropriate confidentiality protections.

- Requires rates to ‘reflect’ individual mitigation actions taken to reduce wildfire risk.

This concept also largely follows the ‘Safer from Wildfires’ list of mitigations included in the California regulations and unfortunately contains many of the same flaws. The Insurance Institute for Business & Home Safety (IBHS), the leading mitigation experts in the field, developed an evidence-based mitigation framework for wildfire, known as the ‘Wildfire Prepared Home’ program. Science shows property owners must complete a set of actions that, when taken together, can protect a home from embers, heat, and flames to prevent ignition.

In this regard, the California regulation is widely recognized among insurers and the fire suppression community as flawed, as requiring insurers to incentivize *individual* actions will not achieve the desired outcome, which is to prevent ignition of the structure. For example, installing ember proof screens while maintaining a combustible wood roof has not been scientifically shown to meaningfully reduce risk. Premium credits for mitigation actions must correlate to an actual expected reduction in risk and be based on actuarial science.

- Requires companies to implement specific written procedures within 180 days of adoption.

This requirement will place a huge burden on insurers to implement the program and the prescribed 180-day time frame for compliance may be too short. The programming, servicing and other operational costs associated with identifying and providing a risk score to consumers, in addition to the proposed appeals process, is a significant and costly undertaking. In some cases, insurers in California have indicated the challenges and costs for compliance were untenable for their business model and made a difficult decision to exit the admitted market. Recognizing the unique insurance market in Hawaii, similar challenges could arise as insurers consider their ability to be compliant.

## **PART II - Section 2. "Prospective Loss Costs"**

- This section would redefine “prospective loss costs” to remove reference to historical aggregate losses and replace with catastrophe modeling.

APCIA has significant concerns about these provisions. Catastrophe models incorporate numerous data inputs, including historical losses, to more accurately identify risk and ultimately inform prospective loss costs. While many insurers may utilize catastrophe models, this may not be the case for all insurers, or for all lines of business. Thus, it is important to provide insurers adequate flexibility to use various tools and methodologies that best meet their individual business needs.

### **PART III - Claims for Additional Living Expenses Under Homeowners Insurance Policies; States of Emergency.**

- SB 3230 requires insurers to provide additional living expense coverage for a period of up to 24 months after an emergency with a 12-month extension, and also allows additional time for a “reasonable delay”.

APCIA is concerned that “reasonable delay” is not well defined and could result in conflicts between insurers and policyholders. Additionally, the language as proposed could result in perpetual extensions that is an exposure that is difficult for insurers to model and price.

- The bill also requires these new requirements to apply to any policy issued or non-renewed after January 1, 2025.

The proposed timeframe is insufficient for insurers to determine the appropriate rates and for the Department of Insurance to approve the updated rates.

### **Prohibition on Limiting Right of Recovery if The Property is Uninhabitable.**

- The bill allows for insurers to provide a reasonable alternative remedy to address the property conditions that preclude reasonable habitation.

APCIA supports the flexibility to provide a reasonable, alternative remedy, however, is concerned about the lack of a definition on what constitutes “uninhabitable”. If insurers are required to provide a remedy, there must be a clearly defined standard and period of coverage, which results from a covered loss.

### **Replacement Cost Value; Homeowners Insurance Policies.**

- This provision would require replacement cost coverage in all homeowners’ policy and redefines “replacement cost” to include inflation and building code requirements, less a deductible.

APCIA is concerned about this provision as the language as proposed would essentially require insurers to provide “guaranteed replacement cost” coverage. Most insurers offer “replacement cost” coverage, which is based on the current estimated cost to reconstruct a home, up to purchased limits. A policy with “guaranteed replacement cost” coverage

essentially eliminates the coverage limits, providing an unlimited amount of coverage to rebuild a home back to the previous size, features, and specifications.

This type of coverage is typically not available in disaster-prone regions, as the extent of loss and potential ‘demand surge’ effects are very challenging to model and ensure adequate premiums are collected. As such, few carriers provide this option, in states where it may be available. Thus, this provision will create a significant and costly burden for insurers to develop a new product offering and would likely result in coverage becoming cost prohibitive for most consumers. This may also result in challenges for insurers to secure adequate reinsurance or other forms of capital, which may additionally have the unintended consequence of reducing availability of coverage.

APCIA does not believe this is the intent of this provision and strongly opposes this language. Instead, in light of recent record inflation following the COVID-19 pandemic, APCIA encourages applicants and policyholders, often working with their agent, to review their coverage to determine the appropriate policy limits that best meets their needs and budget. This may include reassessing their current policy limits based on current costs to reconstruct their property, and considering purchasing optional coverages, such as an extended replacement cost coverage endorsement, which increases the coverage limits to reconstruct the home when costs surge following a disaster, or increasing ordinance & law coverage benefits, to help cover the costs associated with meeting more recent building codes or green energy ordinances. Such coverage options are currently available to consumers to help address individual coverage needs and budgets.

For these reasons, APCIA respectfully asks the committee to **HOLD** this bill in committee.

Hawai'i State Legislature  
Senate Committee on Commerce and Consumer Protection  
Senate Committee on Public Safety and Intergovernmental and Military Affairs

February 6, 2024

*Filed via electronic testimony submission system*

**RE: SB 3230 - NAMIC's Testimony in Opposition**

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the February 7, 2024, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

The National Association of Mutual Insurance Companies (NAMIC) membership includes nearly 1,500 member companies. The association supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC member companies write approximately \$1.8 billion in annual premiums.

NAMIC and its members support pragmatic, pro-consumer public policy thoughtfully designed to improve the availability and affordability of property insurance for consumers. Consequently, we support the bill sponsor's noble intentions. Unfortunately, SB 3230 may sound like a pro-consumer protection bill, but in practical reality it is an unnecessary, overly-broad and complex bill that is more likely to confuse consumers, lead to unnecessary insurance rate costs for consumers, deny policyholders of important consumer-choice as to what they need and want in their insurance products, and adversely impact insurers in their ability to match rate to risk of loss exposure. NAMIC is concerned that the bill will actually harm not help the vast majority of insurance consumers in the State of Hawai'i.

NAMIC respectfully submits the following legal, public policy, and practical application concerns and questions to the committees for consideration:

A) Public Policy Concerns with SB 3230:

**1) How does creating unnecessary insurance rate cost-drivers benefit consumers who are struggling, in today's inflationary world, to pay for the necessities of their life?**

The proposed legislation is loaded with new administrative burdens, consumer disclosure requirements, coverage mandates, impractical and unworkable underwriting restrictions, and fundamental changes to the insurance relationship that will likely lead to increased insurance costs and new financial challenges for insurance consumers.

As President Lyndon B. Johnson famously said "[N]othing comes free. Nothing. Not even good, especially not good."

The undeniable reality of our complex existence in life, with its many financial pressures pulling in different directions, begs the question – *Are all the proposed requirements in the bill worth the financial burdens they will likely create for consumers?* We all know, that cost is the number one consideration for many consumers in their decision-making, so is more confusing disclosures, they are unlikely to even read, about highly complex risk modeling, wildfire risk scoring, and insurance underwriting practices what they want and need?

SB 3230 is rife with provisions that “sound good and feel good” but public policy is about doing actual good and there are a number of provisions in the proposed legislation that will do actual harm to the majority of consumers, who will be forced to pay for coverages and disclosures they will likely never utilize or benefit from in their lifetime. Yes, the horrific tragedies on Maui and on Oahu make us all want to consider creating the perfect, most comprehensive insurance product imaginable to protect consumers ... *but at what cost to consumers is the difficult and important public policy question.*

## **2) Why should insurance consumers be denied the right to make personal decisions about how best to use their finances to protect their home and assets?**

SB 3230 has a number of mandates that deny consumer choice. For example, the proposed legislation would require the following:

- *Beginning on 1/1/2025, requires each newly issued or renewed homeowners’ insurance policy to provide for the “replacement cost” value of the insured property.*

“Replacement cost” as opposed to “actual cash value” is undeniably more expensive for consumers and may not be necessary or desirable for a consumer’s personal tangible property. Consumers should have the choice to decide what they need, want and can afford to pay in insurance coverage protections, whether it be for the contents coverage or their home or the rebuild of their house. Mandating coverage for increased cost in rebuilding a home resulting from “demand surge” after a wide-scale natural disaster event and increased costs for new building codes and local ordinances drive-up the cost of insurance for consumers. If a policyholder wants these additional coverage protections they are *currently available* for the consumer to purchase. *So why force consumers who don’t want or can’t afford these additional coverages to have to pay for them?*

From a public policy perspective, it is akin to mandating every driver on the road may only drive a motor vehicle that has every single state of the art safety feature for their protection, even if that means the person is financially forced out of the motor vehicle ownership market. *Perfect and expensive protection should not become the enemy of good and cost-effect protection.*

Consumers make decisions upon how much of an insurance deductible they want as part of their personal risk of loss sharing with the insurer so as save premium money, why shouldn’t they have the same right to decide how much of the coverage protection they are willing to personally accept to save on insurance premium?

### **B. Legal Concerns with SB 3230:**

**The proposed legislation would require insurers to engage in anti-competitive, possibly even anti-trust protection related, disclosure behavior to the detriment of consumers.**

SB 3230 states that:

*Any risk model described in subsection (a) and any additional documentation requested by the insurance commissioner during the review of any applicable rate application, including any records, data, algorithms, computer programs, or any other information used in connection with the rating plan or wildfire risk model used by the insurer and provided to the insurance commissioner, shall be made available for public inspection, regardless of the source of the information or whether the insurer or the developer of the rating plan or wildfire risk model claims that the rating plan or wildfire risk model is confidential, proprietary, or a trade secret. (Emphasis Added)*

This provision is concerning for a number of reasons. Most importantly, it is anti-market competition, which means that it is anti-consumer. Competition between competitors in a marketplace creates product options and differing price points for consumers to consider and benefit from. If insurers have to disclose their risk models to the public and waive confidentiality, proprietary intellectual property rights and trade secrets, the insurance market will end up with a “one-size fits all” type insurance product that would be detrimental to consumers.

Additionally, the proposed disclosure requirement could have a devastating impact upon the availability of insurance for consumers in the state. *How can national insurers or national risk modelers, who spend millions of dollars developing proprietary intellectual property rights to assess risk, justify waiving those legal protections nationally for a single state market?* That would be illogical and untenable as a financial business practice. Further, this proposed requirement would create legal liability exposure for insurers who may not have the legal right to disclose models they merely use pursuant to a contract with the developer of the risk model or wildfire risk score. Requiring insurers to violate legal contracts with third-party vendors is not good public policy and would not be beneficial to consumers who want and need insurers to use the best risk assessment tools available to match rate to risk.

C. SB 3230 is inconsistent with basic insurance risk of loss principles and would impose impractical and unworkable requirements on insures to the detriment of consumers.

**1) The proposed legislation is inconsistent with the very concept of risk-based pricing of property insurance.**

The basic principle of risk-based pricing is that as the risk goes up - the rate goes up ... and as the risk goes down - the rate goes down. Thus, the operative question is - does a single particular community-wide or individual homeowner mitigation activity actually reduce the risk of loss exposure for a homeowner? If the answer is no or the data is inconclusive, how can a rate be reduced and the rate still be actuarially sound?

The proposed legislation has some concerning provisions that are inconsistent with the leading research on wildfire risk mitigation (Please refer to Insurance Institute for Business and Home Safety materials and research) and would force insurers into making actuarially unsubstantiated and improper risk mitigation valuation decisions (i.e. associating an arbitrary and uniform rating discount on a particular mitigation activity that may not be consistent with wildfire risk science) that would not be good for the financial health of the insurance marketplace or good for insurance consumers.

Specifically, SB 3230 states that an insurer must disclose to the consumer; thereby, arguably making it part of the insuring agreement:

*The amount of premium reduction under the insurer's rating plan that is in effect at the time that the policyholder or applicant would realize as a result of performing each mitigation measure identified under paragraph (4). (Emphasis added)*

This proposed requirement is not only an inaccurate over-simplification of the interactive relationship between all the various individual property owner risk mitigation activities and community-wide risk mitigation activities that each individually and collectively influence, coordinate with, and ultimately impact the evaluation of whether there is any actual wildfire risk mitigation for the community and property owner, but it is also dangerously misleading to consumers, who may then falsely believe that if they do one or two risk mitigation activities they have meaningfully reduced their wildfire risk exposure.

NAMIC is also concerned about the provision in the bill that prohibits consideration of claims history, which is a long-standing and well-established part of risk of loss assessment, and arguably an inextricable part of modeling. NAMIC believes that insurance consumers deserve the benefit of a totality of factors consideration of their risk of loss exposure when insurers match rate to risk.

**2) SB 3230 would impose costly, impractical and unworkable underwriting and consumer disclosure requirements that are far more likely to confuse consumers than educate them.**

In effect, the proposed legislation would require insurers to become wildfire risk mitigation abatement experts. That is not and should not be the role of property insurers. There are professional organizations that specialize in this highly technical subject matter and offer comprehensive expertise on fire prevention and mitigation that homeowners can utilize to better protect their homes and family.

**For the aforementioned reasons, NAMIC asks for a No Vote on SB 3230, and we welcome an opportunity to work with the bill sponsor and other interested stakeholders in working on practical pro-consumer protection property insurance provisions that facilitate meaningful informed consumer-choice in insurance coverages, and promote actuarially sound and cost-effective risk-based pricing.**

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you would like to discuss NAMIC's written testimony.

Respectfully,



Christian John Rataj, Esq.  
NAMIC Senior Regional Vice President  
State Government Affairs, Western Region



**SB-3230**

Submitted on: 2/4/2024 8:10:53 PM

Testimony for CPN on 2/7/2024 9:35:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Tamara Paltin	Individual	Support	Written Testimony Only

Comments:

Support SB3230