

STAND. COM. REP. NO. 2594

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 3230  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2024  
State of Hawaii

Sir:

Your Committees on Commerce and Consumer Protection and Public Safety and Intergovernmental and Military Affairs, to which was referred S.B. No. 3230 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish ratemaking regulations for insurers who base their rates on a policyholder or applicant's wildfire risk;
- (2) Amend the definition of "prospective loss costs" to incorporate catastrophe modeling instead of historical aggregate losses and prohibit insurers from basing certain insurance rates on past loss experience within or outside the State;
- (3) Establish new requirements for insurers relating to claims for additional living expenses under homeowners insurance policies, including situations where losses are incurred during a state of emergency; and
- (4) Require, beginning on January 1, 2025, each newly issued or renewed homeowners insurance policy that covers a



property within the State to provide for the replacement cost value of the insured property.

Your Committees received testimony in support of this measure from one individual.

Your Committees received testimony in opposition to this measure from the Insurance Division of the Department of Commerce and Consumer Affairs, Hawaii Insurers Council, State Farm Mutual Automobile Insurance Company, American Property Casualty Insurance Association, and National Association of Mutual Insurance Companies.

Your Committees received comments on this measure from the Hawaii Association for Justice.

Your Committees find that the frequency of costly wildfires has caused many insurers to reassess their market risks. However, your Committees find that if an insurer seeks to increase their rates based on an applicant's wildfire risk, that process must be transparent and reasonable, and should not incorporate catastrophe modeling based on historical losses, which would substantially disadvantage those residents on Maui who are still in the process of rebuilding their communities. Therefore, this measure, in its current form, would establish certain ratemaking regulations for insurers who base their rates on wildfire risk and prohibit the use of past loss experiences. Further, this measure would establish new requirements for insurers relating to claims for additional living expenses and require homeowners insurance policies to provide for the replacement cost value.

Notwithstanding, your Committees have heard the testimony of the Insurance Division of the Department of Commerce and Consumer Affairs that part I of this measure is already being regulated under article 14 of chapter 431, Hawaii Revised Statutes; part II would remove information critical for an accurate and adequate rate process; and part III may result in higher premiums, discouraging new insurers from entering the Hawaii market. Amendments to this measure are therefore necessary to address these concerns.

Accordingly, your Committees have amended this measure by:



- (1) Deleting its contents and inserting a general fund appropriation in an unspecified amount for the Insurance Division of the Department of Commerce and Consumer Affairs, in collaboration with the University of Hawaii, to procure expertise and develop a physical risk model to assess risk in the State for insurance ratemaking and regulatory purposes; and
- (2) Inserting an effective date of July 1, 2040, to encourage further discussion.

Should your Committees on Judiciary and Ways and Means choose to deliberate on this measure, your Committees respectfully request that the committees consider inserting an appropriation amount of \$300,000 for the physical risk model.

As affirmed by the records of votes of the members of your Committees on Commerce and Consumer Protection and Public Safety and Intergovernmental and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3230, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3230, S.D. 1, and be referred to your Committees on Judiciary and Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Commerce and Consumer Protection and Public Safety and Intergovernmental and Military Affairs,



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GLENN WAKAI, Chair



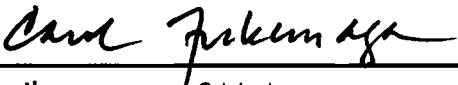
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JARRETT KEOHOKALO, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

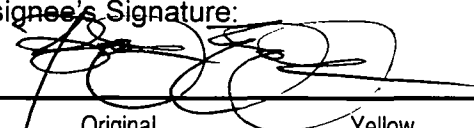
**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>SB 3230</b>	Committee Referral: <b>CPN/BM, SDL/WAM</b>	Date: <b>2/7/24</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton				✓
<b>TOTAL</b>	<b>4</b>			<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:             Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes

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**Record of Votes**  
**Committee on Public Safety and Intergovernmental and Military Affairs**  
**PSM**

Bill / Resolution No.:* <b>SB3230</b>	Committee Referral: <b>CPN/PSM, JDC/WAM</b>	Date: <b>2/7/24</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
WAKAI, Glenn (C)	✓			
ELEFANTE, Brandon J.C. (VC)	✓			
FUKUNAGA, Carol	✓			
RHOADS, Karl	✓			
AWA, Brenton				✓
<b>TOTAL</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
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