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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Friday, January 31, 2025
9:30 a.m.
State Capitol, Conference Room 229 and via videoconference**

**On the following measure:
S.B. 803, RELATING TO INSURANCE**

Chair Keohokalole and Members of the Committee:

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

The purpose of this bill is to require insurers to provide automatic, advance written premium change notices to common interest community policyholders and the Insurance Commissioner, with reasonable explanations and primary factors, disclosing the causes of any premium increase if, upon renewal, premiums are scheduled to increase more than an unspecified percentage; require insurers that renewed property insurance policies between 2022 and 2024 for policyholders that were condominium associations, planned community associations, or cooperative housing corporations in the State, to provide an explanation for certain premium increases during this period; and require the Insurance Commissioner to submit a report to the Legislature.

The Department notes that the requirement to provide policyholders with an automated written notice of a premium change will increase costs for insurers. Policyholders are given the option to receive notice via postal mail or electronic mail; however, at present, the number of policyholders that may consent to receiving notification electronically is unknown. Supplementary insurer staff will likely be necessary to perform the additional responsibilities, leading to additional costs that will be passed on to policyholders.

Thank you for the opportunity to testify.

Hawai'i State Legislature
Senate Committee on Commerce and Consumer Protection

January 28, 2025

Filed via electronic testimony submission system

RE: SB 803, Relating to Insurance: Property Insurance Premium Change Notice - NAMIC's Testimony Expressing Concerns and Suggested Revisions

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the January 31, 2025, 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 consists of nearly 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write approximately \$391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance.

NAMIC's members appreciate the importance of informed consumer choice and embrace consumer transparency when it is helpful, reasonably practical, cost-effective, and consistent with protecting insurer trade secrets and proprietary/confidential information used in an insurer's rating and underwriting practices. Transparency for the mere sake of transparency can be counter-productive, confusing to consumers, and detrimental to the competitive health of the insurance marketplace.

NAMIC respectfully offers the following statement of concerns, suggested considerations, and proposed revisions to the draft legislation:

- 1) SB 803 requires insurers to send automatic, advance written premium change notices to condominium associations, planned community associations, and cooperative housing corporations. These types of commercial entities are generally more sophisticated and work closely with insurance agents and brokers when selecting coverages for their communities. For this reason, the proposed consumer disclosure should not be automatically sent, but should be made available to insurance consumers who expressly request it in writing. While it is important for consumers to understand issues which may impact their insurance premiums, the need for transparency should be balanced with other factors including costs of compliance;
- 2) Disclosure of the detailed premium increase information should only be required for consumers who see a premium increase that is significant in amount and beyond normal market fluctuations including inflationary related cost associated with doing business in the state;
- 3) Insurers should have at least 30 business days from the date of the consumer's written request for the disclosures to respond so that the insurer can provide meaningful, policyholder specific information;

- 4) Insurers should not be required to provide information that is proprietary, confidential or trade-secret related that could adversely impact their ability to be competitive in the marketplace;
- 5) NAMIC is concerned that some of the proposed list of required “primary factors” for the premium increase may not be readily determinable or subject to legal disclosure. For example, an insurer’s reinsurance agreement rate may be based upon their regional or national claims exposure and not easily calculated for the state and/or attributable to a particular policyholder. Additionally, the “catastrophic losses to the insurance industry” primary rating factor is an unclear concept that is likely to be overly-broad in scope and difficult for insurers to calculate in a consistent and uniform manner;
- 6) We are generally opposed to retroactive application of legislation for constitutional due process reasons and also because the benefit of hindsight to the consumer is dubious and may cause confusion; therefore, we are opposed to the provision that would require insurers to retroactively send a premium increase notice to policyholders who had insuring agreements from January 1, 2022 to December 31, 2024; and
- 7) NAMIC is also concerned about the following provision in the proposed regulation, “the notice shall include the extent to which each of these categories contributes to the premium increase”. [Emphasis added]. This level of computational granularity would create an unreasonable administrative burden and cost for insurers that would far exceed the benefit to the consumer of receiving this overly detailed actuarial information.

In closing, NAMIC asks this Committee to consider the costs associated with providing the type of disclosure and the impact this type of regulation may have on encouraging carriers to write more policies in a particular insurance product-line. A reasonable balance needs to be considered when imposing new regulatory requirements and burdens on businesses, especially in challenging and fragile markets.

For the aforementioned reasons, NAMIC respectfully requests that SB 803 be tabled for further discussion during the interim session.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at 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

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

Friday, January 31, 2025
9:30 a.m.

SB 803

Chair Keohokalole, Vice Chair Fukunaga, and members of the Committee on Commerce and Consumer Protection, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Chief Actuary & Chief Risk Officer for Island Insurance, Board Chair 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.

Hawaii Insurers Council **opposes** this bill. This bill imposes new requirements for insurers who are licensed in Hawaii and write condo master insurance policies. There are only three insurers in this market right now and therefore very little competition.

This bill requires insurers to provide causes of any premium increase for a blank percent or more within a time certain. It also requires an explanation of primary factors contributing to any premium increase and an allocation of each category to the premium increase. Finally, the bill requires the insurer to respond to policyholder inquiries on premium increases or other information by a time certain. Attributing certain factors to the premium increase may not be possible by individual risk. Mandating onerous requirements only pushes insurers out of the market. Again, there are only three Hawaii-licensed insurers actively writing master policies at this time.

It is important to note that condo master insurance policies are sold by insurance agents who place policies with insurers. Agents are in direct contact with their policyholders, in

this case, the AOA Board, property manager or other designee. We believe that communication is and should be ongoing between AOAOs and their agents, especially because of the difficulty in obtaining and affording this coverage.

We believe if this bill is passed, it will further contribute to an even more constricted marketplace for Hawaii-licensed insurers. Since excess and surplus lines insurers are not bound by state law, the only available insurance will be unregulated and, in all likelihood, more expensive. We ask that this bill be held.

Thank you for the opportunity to testify.



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

From: Mark Sektan, Vice President

Re: **SB 803 – Relating to Insurance**
APCIA Position: Oppose

Date: Friday January 31, 2025
9:30 a.m., Room 229

Dear Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

The American Property Casualty Insurance Association is **opposed to SB 803** which would impose burdensome reporting requirements on insurers to report detailed information about premium increases.

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.

SB 803 would mandate insurance companies to provide detailed information on premium increases over an unspecified amount regardless of whether the policyholder asked for the information. The primary factors contributing to any premium increase, which shall include the following categories: (1) Water damage claims; (2) Wastewater plumbing replacements; (3) Fire safety devices and practices; (4) Directors' and officers' liability claims; (5) Reinsurance costs; and (6) Catastrophic losses to the insurance industry; provided that the notice shall include the extent to which each of these categories contributes to the premium increase.

Further, the listing of categories provided in the text of SB 803 do not include all the reasons for premium increases, as external factors not related to the condition of the property may produce premium increases. These include, but are not limited to, general inflationary pressures within the economy that may increase prices for repairing or replacing property, or changes in the overall risk environment. Accordingly, the required use of the provided list may produce confusion and frustration for policyholders who

erroneously believe that premium increases must be based on the factors provided with the list.

Policyholders already have the ability to inquire about the reasons for premium increases. Most policyholders who purchase a master property insurance policy purchase policies with brokers or insurance agents who are in the best position to provide information on the policy.

Additionally, the bill requires any insurance company which renewed a property insurance policy between the dates of January 1, 2022, to December 31, 2024, for a policyholder that was a condominium association, planned community association, or cooperative housing corporation in this State, to provide detailed information on any premium increase during this period. This information has to be reported both to the policyholder and the Insurance Commissioner. The benefits of undertaking the burdensome data collection and reporting requirements under this provision are unclear. Insurance contracts are written on an annual basis so these policies may no longer be in place. The policyholder may have also changed insurance companies so providing information on a policy written by an insurance company that no longer has the business seems of limited benefit.

Hawaii is a “prior approval” state. This means that insurers cannot charge any premium that has not been approved by the Commissioner. Insurers must justify any premium, including any increase in premium so the Department of Insurance already has this information.

For these reasons, APCIA asks the committee to **hold SB 803** in committee.

SB-803

Submitted on: 1/30/2025 6:23:44 AM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Mike Golojuch, Sr.	Testifying for Palehua Townhouse Association	Support	Written Testimony Only

Comments:

Our association supports SB803. Please pass this bill.

Mike Golojuch, Sr., President, Palehua Townhouse Association

Committee on Commerce and Consumer Protection

SB 803

Friday, January 31, 2025 @ 9:30 AM

My name is Jeff Sadino, I am a condo owner in Makiki, and I **SUPPORT** this Bill.

Insurance premiums have seen sharp increases lately. While the Maui fires, Florida Surfside collapse, and other natural disasters are often cited as the reason why, there are other reasons that are significant contributors to the increases, as this wisely Bill itemizes.

My area of concern are increases due to Directors and Officers liability claims. As the trade industry shares, Hawaii has more successful Directors and Officers claims than any other state in the country. However, their costs to insurance premiums have not been quantified and I have been disappointed at the lack of interest in this problem from Insurance Division. While I attended some of the community sessions this past year on the insurance crises and frequently saw third-party insurance agents as panelists, I never once saw an actual insurance company representative in attendance to provide their reasons for increasing premiums. Requiring the insurance companies themselves, and not just their third-party salespeople, to provide the specific reasons for their increases is definitely a step in the right direction.

Revisions:

I ask that subsection (c) be clarified to include condo owners. As it is currently written, it could be interpreted that this subsection applies only to Board Members and not individual Owners.

Thank you for the opportunity to provide testimony,

Jeff Sadino

SB-803

Submitted on: 1/29/2025 8:23:57 AM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Jessica Herzog	Individual	Support	Written Testimony Only

Comments:

Aloha Legislators,

As a condo owner in Oahu and having served on an association board, I strongly support SB 803, which mandates that insurers provide advance written premium change notices. This transparency is crucial for fair consumer practices and assists property owners in financial planning. The addition of retrospective explanations for past premium increases enhances accountability, addressing a significant gap in our current system. Moreover, given that Hawaii's insurance market has seen significant disparities between premiums collected and payouts—nearly \$38 billion collected versus \$14.2 billion paid out over the last decade—such transparency is not just beneficial; it's essential.(ref.1)

I strongly advocate for an amendment to SB 803 to include a requirement for electronic notice in addition to any other forms of communication with condominium membership. The urgent need to update condominium laws to incorporate electronic communications that mirror all required postings and mailings is crucial, especially for absentee owners who currently suffer from inadequate communication standards.

Many owners, not residing on the property, are often uninformed due to the limited scope of physical postings. By ensuring that all property owners receive electronic notifications, this bill would greatly enhance the ability of all stakeholders to stay informed about changes in their insurance obligations and respond effectively. This legislative improvement is essential for fostering a transparent, responsive, and well-informed community, allowing property owners to manage their responsibilities more effectively.

Please consider this amendment request and vote yes on this bill.

Mahalo,

Jessica Herzog - Condo Owner Oahu
mssc403@gmail.com
707.340.5786
www.leewardrepair.com

ref.1: ProgramBusiness. (2023, August 28). Hawaii Wildfires Spur Insurers to Reassess the State's Risk. Retrieved from <https://programbusiness.com/news/hawaii-wildfires-spur-insurers-to-reassess-the-states-risk/>

SB-803

Submitted on: 1/29/2025 12:43:26 PM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Sandie Wong	Individual	Support	Written Testimony Only

Comments:

I am a condo owner and Board member, and urge you to pass out SB803. Thank you.

Senate Committee On Commerce and Consumer Protection
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

Testimony in Support of SB803 for hearing on January 31, 2025 at 9:30am

Aloha Chair Keohokalole, Vice Chair Fukunaga and Members of the Committee,

Based on my direct experience, anecdotes and news reports, it's clear that Hawaii condominium and AOA insurance rates are a serious emerging issue in Hawaii. The problem is exacerbated by the high-inflation environment we are in now.

Personally, my building's monthly maintenance fees have gone up dramatically in 2025 by almost 50%. Most of that increase was caused by increases to my building AOA's insurance premiums. I have heard from friends and families who are suffering from the same unexpected and shocking financial burden.

I support SB803. While it appears to not be as substantial of a change to the insurance industry structure in Hawaii as **SB805** proposes, requiring insurance companies to disclose and explain the rationale for premium increases is an important part of insurance industry reform.

The insurance industry runs as a quasi-public utility because of different government and social institutional mandates for insurance coverage. Requiring more transparency into the industry reflects our American ideals of representative democracy.

Sincerely,
Ivan Hou
Hawaii condominium resident
January 29, 2025

SB-803

Submitted on: 1/29/2025 10:25:44 PM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
lynne matusow	Individual	Support	Written Testimony Only

Comments:

I am an owner occupant of a high rise condo in Downtown Honolulu. I have an HO6 policy and my condo has a master police. As you are aware, insurance prices jumped dramatically last year, in both categories, and some condo associations as well as HO6 policy holders had their policies canceled, often with little notice.

I wish to thank Senator Fukunaga and the others who introduced this measure. It is well needed and appreciated.

There is one change I would like to see. It is important that the insurers give sixty days notice to policy holders if there are changes in premium or if the policy is going to be canceled. Often we get little notice and have to scramble to get coverage. In addition, deductibles are raised with no discussion, You need to look into that matter too.

Mahalo nui for your consideration.

SB-803

Submitted on: 1/29/2025 10:45:09 PM

Testimony for CPN on 1/31/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Miri Yi	Individual	Support	Written Testimony Only

Comments:

Testimony in Strong Support of SB 803

Aloha Committee Members,

My name is Miri Yi, and I am submitting testimony **in strong support of SB 803**.

For years, my Honolulu condominium has experienced deferred maintenance, poor reserve management, blatant abuse of authority, selective enforcement and a complete lack of transparency in operations and administration. This includes issues with financial data, meeting minutes, contractor vetting, bids, scope of work, invoices, reserve fund management, and much more.

In 2024, our condominium's liability insurance premium skyrocketed by an alarming **829%**, rising to **over \$1,037,000 annually**. This sharp increase came without sufficient explanation or any fair warning. As a result, all owners were unilaterally assessed fees exceeding \$5,200 in some cases, to cover the depleted reserve funds that were used to pay for this insurance increase.

There is a complete lack of accountability from the Board of Directors (BOD), property management agencies, and on-site management and unskilled maintenance workers/vendors. The BOD clearly demonstrates a troubling lack of knowledge of and adherence to, Hawaii Revised Statutes (HRS), CC&Rs, Bylaws, House Rules and other regulations. Furthermore, they sorely lack basic communication skills, common decency/etiquette and routinely utilize the extremely adversarial and malverse parliamentarians to censor homeowners' speech and even deny access to Zoom meetings. Emails and phone calls are unresponded to.

The insurance broker/agent for our condominium refuses to respond to questions that the BOD or property managers are unwilling to answer. Additionally, they refuse to provide policy details upon request, adding to the confusion and frustration.

The lack of transparency regarding policy coverage and the overall mismanagement of the insurance process is of great concern. It is particularly troubling that the BODs routinely use attorneys to send letters to owners and field questions at special meetings, rather than providing clear answers directly.

I urge you to pass this bill and provide greater support for homeowners, who are highly vulnerable to terrible abuse and mismanagement in the "self-governed" AOA/HOA environment.

Thank you for the opportunity to submit testimony **in support** of this bill.

Very Respectfully,

Miri Yi