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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. 1129, 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 of and offers comments on this bill.

The purpose of this bill is to require the Insurance Commissioner to convene a working group to identify, assess, and recommend certain risk transfer market mechanisms.

The Department is willing to engage with members of the community to assess emerging, innovative ways of investing in and safeguarding Hawaii's infrastructure. We recommend the working group have a clear timeline to prepare a report to help set expectations and provide accountability for the group's progress. Additionally, we recommend that the working group's findings and recommendations, including any proposed legislation, be presented in a separate report to the legislature instead of the annual report of the Insurance Commissioner required under section 431:2-211.

Thank you for the opportunity to testify.

Aloha Honorable Legislators,

As a dedicated homeowner and a proactive member of our community, I am writing to express my strong support for SB 1129, which calls for a comprehensive study on risk transfer mechanisms to better manage insurance risks. This initiative is crucial as it seeks to delve into the complexities of insurance practices that significantly impact homeowners like myself.

Current Challenges: The insurance landscape in Hawaii has been particularly challenging for many homeowners, with issues ranging from high premiums to inadequate coverage for natural disasters which are all too common in our region. The lack of transparent, fair, and effective risk transfer mechanisms often leaves many of us feeling vulnerable and financially unprotected in the event of significant property damage.

Importance of the Study: The comprehensive study proposed by SB 1129 is crucial, not merely as an academic exercise, but as a pivotal initiative to address systemic challenges and inequities within our current insurance framework. This investigation is essential for shedding light on the subtle but profound ways in which current practices may disadvantage homeowners, often leaving them with limited power and disproportionate burdens.

By evaluating all related 2025 insurance legislation alongside existing regulations, this study is uniquely positioned to harmonize and enhance these proposals, ensuring they collectively foster a more equitable risk distribution and enhance insurance affordability. The committee is encouraged to direct this investigative body to focus its efforts on integrating insights from across all current bills to formulate comprehensive legislative and regulatory reforms. This approach will not only address the immediate inefficiencies but also pave the way for a transformed insurance landscape that upholds justice and accountability, aligning with the best interests of all policy holders across our state.

How Insights from Homeowners Can Help: As legislators consider this bill, I urge you to listen to the voices of the community—especially those who have firsthand experiences with the shortcomings of our current insurance system. Our insights can provide valuable context that can shape more effective solutions, making insurance not just accessible but also equitable for all homeowners, regardless of where they live or their economic status. Few come forward because retaliation is a real thing as I have already experienced it myself. Please hear our cries as I uplift over 30+ voices in my small sphere of influence who fear direct involvement.

Suggested Amendments:

- 1. Inclusivity in Study Participation:** It is essential that the study mandated by SB 1129 involves a broad spectrum of stakeholders, not just from within the insurance industry but also including homeowners, independent financial experts, community leaders, and financial analysts. This diversity is crucial to capture a truly holistic and unbiased view of the insurance market. Allowing an industry to self-regulate can be seen as a significant oversight by the government. To prevent such a lapse, this bill must enforce a framework where diverse voices contribute to the study, ensuring that the resulting reforms are both comprehensive and just, avoiding the pitfalls of industry-driven agendas.

2. **Transparency of Findings:** Mandate that the findings and recommendations of the study be made public to foster transparency and trust in the process.
3. **Implementation Plan:** Require that the study include a detailed implementation plan for recommended reforms, with timelines and accountability measures to ensure that the findings lead to actionable change.

I believe SB 1129 has the potential to significantly improve how insurance risks are managed in Hawaii, leading to a more resilient and financially secure community. Your support for this bill will not only benefit homeowners like myself but also contribute to the broader stability and prosperity of our entire state.

Mahalo for your consideration and dedication to serving the people of Hawai'i.

Mahalo for your attention and consideration.

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