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AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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Insurers Feel the Sting Of AI-Fueled Car Loan Fraud

With the rise of artificial intelligence in daily life has come a corresponding uptick in AI-related fraud. A new report by the **National Insurance Crime Bureau** (NICB) found that the technology is fueling increased fraudulent activity in auto financing, with losses expected to top $10.4 billion this year. Auto finance fraud may also have downstream effects on insurers that cover ill-gotten vehicles.

Fraud exposure can start as soon as a consumer steps onto a car lot, with 77% of dealerships reporting an uptick in fraudulent activity over the last two years, according to the NICB. First-party fraud is among the most common, accounting for roughly 70% of all vehicle finance fraud. In these scenarios, individuals or

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Drivers' Claim Delays Give Plaintiff Lawyers Head Start

Long after the cops, tow trucks and gawkers leave the scene of a crash, many at-fault drivers feel little urgency to file their claim, leaving an opening for attorneys to take control before insurers know what happened, according to new research from **LexisNexis Risk Solutions**.

"There is a race between the carrier and the plaintiffs' bar for who can give the 'first hug,'" said **Tanner Sheehan**, LexisNexis vice president of claims solutions. "And if a carrier doesn't know, there is no way to give the first hug."

Previous surveys from LexisNexis and data from claims handler **Sedgwick** have shown that attorneys are becoming involved earlier in claims, driving legal costs higher and contributing to the rising severity in bodily injury (BI) liability claims. Carriers are concerned about the growing number of claims that they learn about from attorneys and other third parties before their own policyholders, Sheehan said.

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Hawaii Speeds Rate Reviews, Bans ZIP Codes in Auto Pricing

Hawaii insurers can no longer use ZIP codes for pricing motor vehicle insurance policies, though they are still permitted to use territorial rating at the county level.

Insurers that used ZIP codes in underwriting and pricing were required to refile rates with the **Hawaii Insurance Division** by June 30, and the change took effect for policies issued or renewed on or after Oct. 1. Insurance Commissioner **Scott Saiki** ordered the change in a memorandum he issued in January. Eighteen insurance companies in eight insurance groups submitted new filings that removed ZIP codes, according to an analysis by **ZestyAI's** Zorro Discover tool.

In the filings identified by Zesty, all of the ZIP code changes were on Oahu, which falls within Honolulu County. Hawaii has five counties, and with one small exception, each covers one or more islands.

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FRAUD *Continued from Page 1*

fraud rings use AI to create "synthetic identities" to misrepresent income, employment or repayment intent. Synthetic identities are 12.5 times more likely to default on an auto loan, producing between $22,000 and $50,000 in losses each time, the NICB found.

Other types of common auto finance fraud include "sign-and-walk" rings, in which applicants submit AI-created pay stubs and false identity theft claims, which allow consumers to remove liabilities from their credit reports. Both measures can make applicants look more attractive to financing companies and allow bad actors to secure loans more easily.

"Vehicle finance fraud has evolved from isolated credit misrepresentations into an organized, digital criminal industry that touches dealerships, lenders and insurers," NICB Chief Operating Officer **Timothy R. Slater** said in a news release. "Stopping these networks requires shifting away from reactive, siloed defenses toward standardized and synchronized cross-industry reporting."

The impact of this type of fraud isn't isolated to the finance industry. Fraudsters who buy vehicles may also use AI to create false identities and favorable credit reports to gain low-cost insurance coverage. They may then abandon, destroy or ship vehicles overseas before filing false claims with insurers, NICB spokesman **Nicholas Zeitlinger** said in an email.

"Beyond the immediate potential losses, vehicle finance fraud costs insurers through the extra man-hours spent on document verification and related investigations, all of which is ultimately absorbed and passed down to policyholders," he added. AIR

CLAIM DELAYS *Continued from Page 1*

The new survey found that about a quarter of at-fault drivers who filed a claim after two-vehicle collisions did so after the other party filed.

These slow filers gave several reasons for delaying claims. Most concerning for carriers, 28% said they were "waiting to see" if, or when, the other driver would file, and 25% said they were hoping the "situation would 'blow over,' and that it wouldn't involve insurance companies," according to the survey.

About 30% said they wanted to take their time to make the decision, and 39% said the other driver was just faster, even though they thought they filed quickly. About 22% weren't sure if the collision warranted a claim, and 12% said they weren't sure it was their fault. Drivers could pick more than one reason.

LexisNexis commissioned the survey following a customer advisory board meeting with the largest national and super-regional insurers. Carriers told LexisNexis that they "can no longer count on our first parties to tell us when they've been in an accident," Sheehan said.

The nationwide survey commissioned by LexisNexis interviewed 750 at-fault drivers in two-vehicle collisions and 1,017 drivers in single-vehicle collisions.



Tanner Sheehan
LexisNexis Risk Solutions

The research reveals the differences in thinking between at-fault drivers who file claims, those who never do and those who file claims only after the other driver beats them to the punch.

"It's not the nonfilers killing the carriers," Sheehan said. "It's the people who think like a nonfiler."

About 10% of the 750 at-fault drivers surveyed never filed a claim about their two-vehicle collisions. These drivers reported less severe damage than those who did file and were less likely to say the other driver was upset. They were also twice as likely as filers to have been

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CLAIM DELAYS *Continued from Page 2*

with their carrier for less than two years at the time of the collision.

To address the issue of slow first notice of loss, LexisNexis is developing a product that will alert carriers to serious police-reported crashes that involve policyholders for which no claim has appeared in its contributory claims database. The focus is on crashes with injuries, ejections or fatalities, rather than single-vehicle accidents or inconsequential events that might not become a claim, Sheehan said.

"For carriers and injured parties, this is precious time that can't be wasted while first parties wrestle with their filing decision," he said.

Automatic crash detection offers another solution. But those programs – which many carriers now offer free through smartphone apps, connected cars or as part of telematics programs – are voluntary and not every insurer offers the feature.

> ***Many consumers don't file claims after crashes because they view the damage as minor, LexisNexis found.***

In the new survey, 82% of at-fault drivers in two-vehicle crashes who never filed a claim viewed insurance as a "safety net" that should only be used in "serious" situations, and 18% viewed insurance as something that should be used even for minor problems because they paid for the coverage. Among the at-fault drivers who filed claims, about half viewed insurance as only for serious situations, and half believed paying premiums justified its use for even minor damage.

About three-quarters of both filers and nonfilers in the two-vehicle collisions said they clearly knew they were at fault, but 67% of filers felt guilty, compared to 55% of nonfilers. About 83% of filers also felt a "moral" obligation to report the claim, compared to just 33% of nonfilers.

About 69% of at-fault drivers in two-vehicle collisions knew right away whether they would file a claim, while about 27% said they wanted to gather more information first, and 4% said something unexpected changed their mind about whether to file.

About 71% of people who never filed a claim for the crash said they were "relaxed" about the decision, and the remaining 29% of nonfilers said they felt "pressured or rushed" to decide. About 63% of those who filed felt "relaxed" and 37% felt "pressured or rushed."

At-fault drivers "don't often feel pressured or rushed to make a claim," Sheehan said. "That's what's hurting carriers in the world of attorney [representation] and third-party injury severity. The longer these things go on, the angrier the third party gets about not receiving the phone call from the insurance company, who doesn't know there was a crash."

Fear of rate increases or dropped coverage played a smaller role in the decision than Sheehan expected. The biggest reason that consumers didn't file was that they viewed the damage as minor (72%). Just 21% of people who did not file named fear of rate increases or dropped coverage. About 18% preferred to handle it themselves, believing that the claim would be a hassle, could take up too much time or that they resolved it directly with the other driver. About 12% cited the cost of the deductible, another 12% said they didn't file because they were at fault, and 5% cited influence from other people in their decision.

In the survey of 1,017 drivers in single-vehicle collisions, LexisNexis found a similar percentage of nonfilers and similar attitudes leading to their decisions. The decision in a single-vehicle collision is less consequential to insurers because there is no third-party who may hire an attorney. The drivers in single-vehicle accidents did not have to be at fault; animal strikes were counted, too.

The surveys found that both single-vehicle and two-vehicle collisions prompted drivers to shop for

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CLAIM DELAYS *Continued from Page 3*

new insurance, some even before their carrier or a potential new carrier knew about the claim.

About 14% of drivers who filed claims for the two-vehicle collisions shopped before telling their current carrier, and 20% of filers in single-vehicle collisions shopped before submitting the claim.

The new research is the latest in a string of surveys identifying how and when attorneys become involved with claims and the policyholder attitudes that provide the opening.

In a 2023 LexisNexis survey, 57% of 555 auto insurance claimants with an attorney hired the lawyer before filing their claim. The survey found that 85% of claimants with an attorney were solicited after the collision, and 60% heard from more than one. (AIR 4/15/24)

The higher costs from attorney-involved claims start well before litigation. Insurers say some trial lawyers use a variety of tactics to discover policy limits and then direct clients to specific doctors and clinics that encourage additional and sometimes unnecessary procedures to build the eventual award to the limit.

Earlier attorney involvement is affecting liability losses across property/casualty lines. Claims data from Sedgwick showed that 64% of commercial auto BI claims resulting in lawsuits had attorney representation within 24 hours of first notice of loss, and 84% had representation within the first 14 days. The percentage of nonlitigated commercial auto BI claims with attorney representation has increased for five consecutive years, reaching 61.2% in Sedgwick's most recent analysis.



Steve Ellis
Sedgwick

Earlier attorney representation can reduce the time available for claims handlers to investigate and engage with policyholders and injured parties to offer resolutions "before positions become more established," **Steve Ellis**, vice president of Sedgwick's liability practice, said in an email. "As claimants and their attorneys form expectations earlier, carriers and claims organizations must move faster to investigate liability, communicate effectively, and evaluate exposure."

As the severity of litigated claims continues to increase, he said, "the practical implication is that early claim engagement, accurate triage and timely decision-making are becoming more important than ever." AIR

State Market Focus: HAWAII

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"The main reason we made the change is [that] ZIP codes were created for postal delivery purposes, not to measure risk," Deputy Insurance Commissioner **Jerry Bump** said in an interview. "Any time we allow certain factors, they need to be tied to actual insurance risk, so that was one of the main things."

Another reason for the memo was consistency, he said. In the past, regulators rejected insurer efforts to use territorial rates based on ZIP codes. In 2016, for example, Hawaii reviewers told **Geico** and **IDS Property Casualty Insurance Co.** to remove ZIP code from their filings.

Over the years, however, "some filings went through where it was allowed, and so there was inconsistency where certain carriers' plans had it in, and others [where] we previously said you can't have it," Bump said. "We were trying to promote fairness among insurers and basically said if we've allowed it in the past, you now need to take it out."

Hawaii already has among the strictest property/casualty rating laws in the country. In addition to common restrictions, Hawaii prohibits insurers from basing any rating plan or underwriting standard on age, sex, length of driving

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State Market Focus: HAWAII

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experience, credit or marital status. This leads to less segmentation and more cross-subsidization, particularly of younger drivers.

The removal of ZIP codes from rating rules had little statewide rate impact. Another change, however, has had a significant effect on drivers who buy minimum-limits policies. On Jan. 1, Hawaii's minimum requirements for bodily injury liability coverage doubled to $40,000 per person and $80,000 per accident, and the minimum requirement for property damage liability coverage doubled to $20,000. The legislation increasing the auto insurance requirements passed in 2024. Hawaii law also requires $10,000 of personal injury protection coverage to provide medical and other payments for those injured in accidents. That requirement did not change.

During testimony on the legislation, opponents warned that the higher coverage requirements would burden those drivers who buy minimum limits because they can't afford higher premiums. In a document explaining the change to consumers, the Hawaii Insurance Division estimated that increasing coverage limits to twice the prior minimums "may result in an average premium increase of about 25%, though your actual cost may be higher or lower depending on your individual circumstances."



Scott Saiki
Hawaii Insurance Commissioner

The conventional wisdom is that when premiums rise because of mandatory increases in minimum liability limits, the poorest drivers may drop coverage and drive without insurance. Hawaii lacks a system for tracking uninsured drivers, Bump said, so regulators have no way to know if the increase is causing policyholders

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Hawaii
Auto Insurance Profit Margins
Ten-Year Summary, Percent of Direct Premiums Earned

Line of Business	2024 Total Profit	2023 Total Profit	2022 Total Profit	2021 Total Profit	2020 Total Profit	2019 Total Profit	2018 Total Profit	2017 Total Profit	2016 Total Profit	2015 Total Profit	Avg Total Profit
Personal Auto Liab	19.2	14.0	10.7	20.0	19.8	11.4	18.0	10.9	9.6	8.4	14.2
Personal Auto Phys	15.8	0.3	6.3	10.8	20.7	9.9	10.0	10.9	7.8	10.4	10.3
Personal Auto Total	17.5	7.5	8.7	15.8	20.2	10.8	14.6	10.9	8.9	9.3	12.4
Comm. Auto Liab	27.2	34.7	31.9	32.4	25.2	21.4	23.0	20.9	20.5	12.2	24.9
Comm. Auto Phys	17.9	1.1	7.7	14.6	23.4	9.2	14.6	9.9	5.6	8.2	11.2
Comm. Auto Total	25.1	26.8	26.2	28.4	24.8	18.7	21.2	18.5	17.5	11.4	21.9
Total All Lines*	30.1	-53.5	23.7	21.1	21.2	21.2	23.1	13.6	21.1	20.7	14.2

*Auto; Home, Farm & Commercial Multiperil; Fire; Allied; Inland Marine; Med Malpractice; Other Liability; Workers Comp; All Other

Note: Profit calculations are by *Auto Insurance Report* using data from the National Association of Insurance Commissioners. Calculations are estimates, some based on national averages.

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to drop coverage. Hawaii's insurance regulators warned about this possibility when lawmakers, during earlier legislative attempts, considered an increase at a time when Hawaii residents were still reeling from the financial shock of the Covid-19 pandemic.

The **Insurance Research Council** estimated that 9.6% of Hawaii drivers were uninsured in 2023, a far lower uninsured rate than the 15.4% countrywide average.

Some insurers have detected more nonrenewals from drivers with low limits, an executive said. While it is possible that premium increases sent them shopping for coverage elsewhere, it might be that the increased cost is driving financially strapped drivers out of the market entirely.

"It would really be anecdotal," Bump said. "It's not something that we have a tremendous amount of insight into."

While minimum limits policies became more costly because of the increased coverage, rates have largely stabilized, Bump said. The unweighted average of the overall rate changes in the 59 auto rate filings received this year was 2.5%, according to data from **Grant Shintaku**, manager of property/casualty filings for the

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Hawaii
Personal Auto Insurers

Groups Ranked by Total 2025 Direct Premium Written (000)

Group Name	2025			2024			2023		
	Premium	Market Share	Loss Ratio	Premium	Market Share	Loss Ratio	Premium	Market Share	Loss Ratio
Berkshire Hathaway/Geico	$251,007	25.0%	63.4%	$248,784	26.7%	62.1%	$245,057	27.7%	74.0%
State Farm Mutual	$236,080	23.5%	57.3%	$209,817	22.5%	66.1%	$185,432	21.0%	80.2%
USAA Insurance Group	$115,716	11.5%	62.4%	$102,906	11.0%	67.0%	$97,217	11.0%	77.1%
Progressive Corp.	$113,933	11.3%	54.3%	$88,513	9.5%	56.4%	$78,501	8.9%	63.6%
Allstate Corp.	$108,706	10.8%	50.4%	$94,412	10.1%	66.3%	$86,047	9.7%	76.1%
Liberty Mutual	$39,287	3.9%	20.6%	$41,403	4.4%	53.0%	$46,597	5.3%	69.0%
Tokio Marine Group/PURE	$32,483	3.2%	62.8%	$33,284	3.6%	48.5%	$34,122	3.9%	57.9%
Farmers Insurance Group	$29,742	3.0%	45.4%	$34,658	3.7%	53.0%	$36,305	4.1%	62.8%
Island Insurance Companies	$22,192	2.2%	51.8%	$23,751	2.5%	54.1%	$24,321	2.8%	55.7%
MS&AD Insurance Group Holdings	$21,229	2.1%	77.4%	$20,127	2.2%	60.9%	$16,718	1.9%	54.1%
Auto Club Exchange Group (SoCal)	$13,553	1.4%	61.3%	$13,003	1.4%	62.0%	$11,796	1.3%	57.7%
Hartford Financial Services	$5,712	0.6%	60.7%	$6,048	0.7%	51.7%	$6,193	0.7%	49.0%
DB Insurance Co. Ltd.	$5,028	0.5%	63.7%	$5,360	0.6%	46.9%	$5,800	0.7%	65.4%
American Family Insurance Group	$3,424	0.3%	63.9%	$2,992	0.3%	53.3%	$2,973	0.3%	-62.4%
Markel Corp.	$3,163	0.3%	31.5%	$2,582	0.3%	14.0%	$3,127	0.4%	87.2%
Fairfax Financial	$1,789	0.2%	27.6%	$1,959	0.2%	107.0%	$2,046	0.2%	35.1%
American International Group	$1,097	0.1%	130.0%	$1,095	0.1%	102.9%	$1,088	0.1%	96.0%
Chubb Ltd.	$1,093	0.1%	59.6%	$1,066	0.1%	22.4%	$1,052	0.1%	113.3%
Cincinnati Financial Corp.	$340	0.0%	27.4%	$266	0.0%	16.7%	$205	0.0%	31.5%
Pacific Specialty Insurance Company	$224	0.0%	22.6%	$156	0.0%	15.5%	$154	0.0%	17.7%
Statewide Totals	$1,006,070		57.0%	$932,502		61.6%	$885,124		71.7%

Source: S&P Global Market Intelligence and *Auto Insurance Report*.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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Insurance Division. Individually, the biggest decline was a 3.9% rate decrease in a personal auto filing, and the biggest increase was a 21.2% jump for a commercial auto product.

The top 10 personal auto groups in Hawaii have increased rates an average 1.7% this year, according to RateWatch from **S&P Global Market Intelligence**. Last year, the top 10 showed a 2.9% decrease, but that was driven entirely by No. 2 **State Farm's** 11.9% decrease while rates were flat for the others. A pending State Farm filing seeks to lower rates another 5.8%, affecting more than 240,000 policies.

The incurred loss ratio for Hawaii's private passenger auto insurers improved to 57.0% last year from 62.0% in 2024 and 71.7% in 2023. The spike in Hawaii's 2023 loss ratio was driven in part by the Lahaina wildfire, as the physical damage loss ratio rose that year to 77.6%. Personal auto claims accounted for about $31.5 million of the total $3.55 billion in insured losses, according to a data call conducted by the Hawaii Insurance Division. Commercial auto accounted for another $4.1 million.

> ***A restructuring of the Hawaii Insurance Division is helping regulators approve rates more quickly.***

This year, Hawaii faced a string of big storms that produced significant flooding: a Kona low in March, Hurricane Lala in August, and Hurricanes Lowell and Nolo in September. Hawaii also experienced a magnitude 6.0 earthquake in May.

"People did lose their vehicles and homes, but nothing at the same level as when we had the Lahaina wildfires, where we had 3,000 homes destroyed," Bump said of this year's disasters. While there might be significant vehicle claims, "it shouldn't have a significant impact on rates," he added.



Jerry Bump
Deputy Insurance Commissioner

This year's catastrophic weather is partly due to a record-setting El Niño, "that's not expected to keep occurring year after year," Bump said.

Bump noted that auto insurers are increasingly including catastrophe-related considerations for comprehensive coverage in private passenger auto filings.

"This is a relatively new development and includes consideration of hurricane-related exposures," he said. "Our analysts and actuaries review these filings to ensure that the loss experience and assumptions used to establish Hawaii rates appropriately reflect the risks within our state, particularly when insurers rely on nationwide data."

When insurers do request rate changes, they are likely to get a response more quickly than in the past.

Since he became Hawaii's chief insurance regulator last year, Saiki has reorganized staff and revamped the rate filing submission process with the aim of speeding the review process.

Saiki restructured the rate and policy analysis section of the Hawaii Insurance Division into two separate units – one specializing in property/casualty and the other specializing in life/health – and issued new filing instructions that streamline the process for P/C filings. Review times lagged following back-to-back retirements of experienced P/C analysts, but the division has moved new people into these positions, and Bump said he's already seeing positive results. The Insurance Division received 4,086

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property/casualty filings in 2026, and the turnaround time has fallen from an average 47 days in 2025 to about 11 days so far this year.

For private passenger auto, specifically, the turnaround time improved from an average 64.7 days in 2024 to 58.0 days in 2025 and 47.8 days this year, Bump said.

"We recognize the importance of timely regulatory reviews and have made improving our filing processes a priority," he added. "Our objective is to provide insurers with more timely decisions while maintaining appropriate regulatory oversight and ensuring that proposed rates are adequately supported and comply with Hawaii law."

According to **Perr & Knight's** *State Filings Pulse*, which uses a different methodology, the median time to approval was 103 days for personal auto rate changes during the 12 months ended June 30. The median was 114 days for the full year 2025, 243 days for 2024 and 127 days for 2023.

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Hawaii
Commercial Auto Insurers

Groups Ranked by Total 2025 Direct Premium Written (000)

Group Name	2025			2024			2023		
	Premium	Market Share	Loss Ratio	Premium	Market Share	Loss Ratio	Premium	Market Share	Loss Ratio
Tokio Marine	$40,598	24.3%	49.1%	$36,613	23.3%	63.4%	$31,316	22.5%	61.6%
Island Insurance Companies	$18,085	10.8%	51.2%	$17,124	10.9%	71.1%	$16,416	11.8%	67.2%
Great American Insurance	$16,636	9.9%	119.1%	$16,326	10.4%	19.3%	$16,490	11.8%	46.1%
Progressive Corp.	$13,273	7.9%	40.7%	$11,506	7.3%	41.7%	$9,620	6.9%	29.8%
Zurich Insurance Group	$12,185	7.3%	6.3%	$12,975	8.3%	28.1%	$8,295	6.0%	30.8%
Fairfax Financial	$10,816	6.5%	39.8%	$10,554	6.7%	43.8%	$9,185	6.6%	47.6%
DB Insurance Co. Ltd.	$8,424	5.0%	42.9%	$8,202	5.2%	37.0%	$8,040	5.8%	30.5%
Travelers Companies Inc.	$6,782	4.1%	74.9%	$6,116	3.9%	34.0%	$5,189	3.7%	22.5%
Liberty Mutual	$4,845	2.9%	137.4%	$3,582	2.3%	79.6%	$2,547	1.8%	26.9%
State Farm Mutual	$3,913	2.3%	34.4%	$3,730	2.4%	78.8%	$3,369	2.4%	61.1%
Old Republic Insurance	$3,224	1.9%	42.4%	$1,877	1.2%	73.9%	$1,383	1.0%	109.5%
Chubb Ltd.	$3,059	1.8%	37.2%	$2,382	1.5%	51.2%	$2,641	1.9%	65.2%
American International Group	$2,859	1.7%	70.0%	$2,380	1.5%	8.6%	$2,083	1.5%	37.8%
MS&AD Insurance	$2,728	1.6%	18.2%	$5,092	3.3%	53.6%	$5,063	3.6%	39.2%
Berkshire Hathaway Inc.	$2,412	1.4%	14.4%	$2,236	1.4%	11.4%	$2,243	1.6%	27.0%
Farmers Insurance Group	$2,300	1.4%	48.9%	$1,054	0.7%	167.5%	$738	0.5%	-18.6%
Arch Capital Group Ltd.	$2,129	1.3%	42.6%	$977	0.6%	62.8%	$973	0.7%	23.0%
Starr Cos.	$1,709	1.0%	11.3%	$1,394	0.9%	26.3%	$1,214	0.9%	18.3%
AXA SA	$1,315	0.8%	45.6%	$770	0.5%	51.7%	$769	0.6%	-9.8%
W. R. Berkley Corp.	$1,297	0.8%	4.5%	$1,214	0.8%	9.3%	$1,018	0.7%	22.7%
Hartford Financial Services	$1,143	0.7%	20.8%	$1,100	0.7%	239.3%	$877	0.6%	70.9%
CNA Financial Corp.	$795	0.5%	34.0%	$695	0.4%	76.4%	$607	0.4%	67.3%
Alliance of Nonprofits for Insurance	$726	0.4%	24.9%	$627	0.4%	28.0%	$499	0.4%	20.3%
Statewide Totals	$167,353		48.2%	$156,881		51.4%	$139,366		47.2%

Source: S&P Global Market Intelligence and *Auto Insurance Report*.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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While the countrywide median for personal auto filings was 29 days, Bump emphasized that it makes more sense to compare Hawaii to other prior approval states like **California** (median 203 days to approval), **New York** (196 days) and **Washington** (84 days).

In response to significant rate increases in recent years, lawmakers this year passed a bill (HB 2282) that requires insurers to provide, upon written request, "reasonable explanations" for changes in premium in personal and commercial residential policies. The legislation, which takes effect Jan. 1, 2027, also requires insurers to give 30 days' notice of a nonrenewal and 10 days' notice before the effective date of a cancellation. The notices also must provide specific reasons for the cancellation or nonrenewal.

Hawaii is among a number of states that considered an excess profits bill modeled after a Florida law.

A group of lawmakers also introduced a bill (HB 2036) targeting excess profits earned on private passenger auto insurance business. The legislation, which never received a hearing, would have required insurers to refund money to policyholders if underwriting profits over three years exceeded the anticipated underwriting gain plus 5% of earned premiums. The insurer would be entitled to a hearing before having to issue refunds in the form of cash payments or renewal credits. Several states have considered passing excess profits laws after publicity about **Progressive's** nearly $1 billion refund in **Florida**. (AIR 12/1/25)

"We're definitely aware of that legislation and what has occurred in Florida," said Bump, adding that the division took no position on

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Hawaii Snapshot

Regulator: Insurance Commissioner Scott Saiki
Rate regulation: prior approval
Median days to rate disposition (12 months ending 6/30/26): 103 days; U.S. average: 29 days

Size of personal auto market: $1.01 billion (2025 DPW) Rank: 45th

Average policy expenditure: $935 (2024)
Rank: 49th
Auto Insurance Report PAIN Index rank: 51st (2024)
Property Insurance Report HURT Index rank: 32nd (2023)

Auto registrations: 422,292 (2024)
Truck registrations: 821,511 (2024)
Vehicle miles traveled (VMT): 10.65 billion (2024)
Traffic fatalities: 0.96 per 100 million VMT; U.S.: 1.19 (2024)
Vehicle thefts: 357.1 per 100,000 residents; Region: 413.2 (2024)

Liability defense: modified comparative fault - 51% bar
Minimum Insurance Requirements:
BI: $40,000/$80,000 • PD: $20,000 • PIP: $10,000

Safety Laws
Ban on holding electronic devices; cellphone ban for new drivers
Primary enforcement for seat belts
Motorcycle helmets required for riders under 18
Red-light and speed cameras allowed by state law and local ordinance

Demographics
Population: 1.4 million (2025)
Change 2010-2020: +7.0%, U.S.: +7.4%
Median household income (avg 2020-2024): $100,389; U.S.: $80,734
Population density: 226.6 per square mile; U.S.: 93.8 per square mile (2020)

Sources: S&P Global Market Intelligence; Perr & Knight; U.S. Dept. of Transportation; NAIC; U.S. Census; Insurance Institute for Highway Safety; FBI; Matthiesen, Wickert & Lehrer

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Focus: HAWAII

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the bill because there was no hearing. "We're a prior approval state, so we have to review those rates … to make sure that the rates aren't excessive to begin with. That doesn't mean that they couldn't be earning excessive profits and they just don't file for a rate increase and go many years without. But at the same time, you know it's difficult to draw any conclusion from another state."

If the bill were to reemerge, regulators would have to analyze the details carefully to predict its impact.

"It's just a matter of how it would be crafted and determining what the definition of excessive is and then will the industry accept that?" Bump added. "Because if the industry doesn't accept it, then they're just going to stop doing business in Hawaii."

> ***Hawaii's DTRIC Insurance stopped is pulling out of the market, nonrenewing 16,000 personal auto policies.***

Hawaii's remoteness creates challenges, such as high costs for auto parts shipped from the mainland and difficulty deploying adjusters for catastrophes. Regulators recognize that Hawaii is a small market, and insurers that can't generate a sufficient return won't continue to write business there.

The top five insurance groups write more than 80% of statewide private passenger auto premium, which grew 7.9% last year to surpass $1 billion for the first time.

Geico maintains the top spot, though State Farm is gaining ground. **Progressive** moved to the No. 4 spot, ahead of **Allstate**, on the strength of its 28.7% premium growth last year. **USAA** is No. 3. In October 2025, the Insurance Division announced that **DTRIC Insurance Co.**, a Hawaii-only insurer that is part of Japan's **MS&AD Insurance Group**, would stop writing new coverage and would nonrenew its roughly 20,000 existing policies, including 16,000 personal auto policies.

On our PAIN Index, which compares premium to income, Hawaii ranked as the most affordable state for auto insurance based on 2024 data. Its 12.4% average annual profit margin for the decade ended 2024 also ranked as the best over time.

Insurers say that since becoming insurance commissioner in mid-2025, Saiki, a former state House speaker, has shown he understands the need to balance insurers' needs with consumer protection.

"I think he really understands the need for the market to be responsive to consumers, but he also understands that we need a market," an executive said. "He's done a good job, I think, of balancing those interests." AIR

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