DEPT. COMM. NO. 133

JOSH GREEN, M.D.
GOVERNOR | KE KIAʻĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIAʻĀINA

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

NADINE Y. ANDO
DIRECTOR | KA LUNA HOʻOKELE

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HOʻOKELE

December 12, 2025

TRANSMITTED VIA LEGISLATIVE WEBSITE

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

Enclosed is a copy of the 2025 Report Pursuant to Act 296, Session Laws of Hawaii 2025.

In accordance with section 93-16(a), Hawaii Revised Statutes (HRS), a copy of this report will be transmitted to the Legislative Reference Bureau Library and viewable electronically at cca.hawaii.gov/ins/reports. Copies will also be transmitted to the State Publications Distribution Center and the University of Hawaii pursuant to section 93-3, HRS.

Sincerely,

Nadine Y Ando

NADINE Y. ANDO
Director

Enclosure

c: Legislative Reference Bureau Library (1 hard copy)
State Publications Distribution Center (2 hard copies, 1 electronic copy)
University of Hawaii (1 hard copy)

THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2026

Act 296 Property Insurance Stabilization Interim Report

INSURANCE DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII

Submitted December 2025

Contents

I. Introduction

In response to mounting instability in Hawai'i's homeowners property insurance market, the Hawai'i State Legislature enacted Senate Bill (SB) 1044 SD 2 HD 2 CD 1, signed into law on July 7, 2025 as Act 296. This legislation underscores the urgency of addressing systemic vulnerabilities exacerbated by the devastating August 2023 wildfires in Lahaina and Kula. As part of the steps toward achieving long-term stability, Act 296 required the Insurance Commissioner (Commissioner) to conduct a study relating to the identification and development of a long-term solution to stabilize the property insurance market in the State that included the following:

(1) Recommendations for capitalizing the Hawai'i property insurance association and Hawai'i hurricane relief fund;
(2) Recommendations for monitoring the stability of the property insurance market in the State;
(3) A determination of the efficacy of the changes implemented pursuant to this Act;
(4) An evaluation of the feasibility of establishing a mutual or captive insurance model to address the affordability and availability of property insurance in the State, including solutions to address the needs of condominium associations and individual residential condominium property owners; and
(5) Recommendations on a mechanism to ensure that condominium properties are maintained and repaired in a timely manner to ensure that the condominium properties remain in insurable condition.

Act 296 was recently enacted in July of 2025, therefore the Commissioner requires additional time to conduct a study based on robust data collection, stakeholder engagement, and actuarial analysis. A credible and comprehensive study is necessary for the Commissioner to develop a long-term solution to stabilize the homeowner's insurance market and make well-informed legislative recommendations. A complete report will be submitted no later than twenty days prior to the convening of the regular session of 2027 as required by Act 296, therefore this is an interim report discussing the inquiries raised in Act 296, including an overview of issues and challenges affecting Hawai'i's homeowner's insurance market and potential solutions based on information that is readily available.

II. Homeowners Insurance and Market Overview in Hawai'i

In recent years, the market for homeowners insurance in Hawai'i has become increasingly fragile. Insurers have begun to reassess their exposure, withdraw from high-risk areas, or restrict new policies. At the same time, premiums are rising sharply in many communities, especially those considered vulnerable to wildfire, hurricane, or flood. Act 296 acknowledges this growing instability and implements temporary measures to stabilize the homeowners insurance market while expressing concerns from consumers, insurers, and policymakers alike that without intervention, Hawai'i could face a crisis similar to those unfolding in California, Florida, and Louisiana-states where climate risk and market dysfunction have left millions with few or no insurance options. Act 296 reactivated the Hawai'i Hurricane Relief Fund (HHRF) and expanded the authority of the Hawai'i Property Insurance Association (HPIA) as immediate stabilization measures designed to mitigate disruptions and provide a temporary buffer while long-term solutions are developed. The HHRF is a state-managed program designed to offer interim insurance coverage when other options are unavailable. While it appears that current property insurance rates are decreasing, it is too soon to determine whether the measures implemented by Act 296 are effective in providing long-term stability to Hawai'i's homeowners insurance market.

Structure of the Homeowners Insurance Market in Hawai'i
Hawai'i's homeowners insurance market is relatively small compared to the rest of the nation, but critically important for local economic and community stability. As of 2023, roughly 250,000 residential properties across the state carry homeowners insurance, with coverage required for nearly all mortgaged homes. The market is served by a mix of large national insurers, regional carriers, and surplus lines providers. However, recent trends suggest that capacity is shrinking, especially in high-risk areas.

Role of Insurance and Catastrophe Risk
A critical driver of premiums and market stability is the cost and availability of reinsurance, which protects primary insurers from extreme losses. Reinsurance premiums have surged globally due to heightened catastrophe activity and inflationary pressures. Hawai'i, being exposed to hurricanes, wildfires, volcanic activity, and potential tsunamis, is classified by reinsurers as a high-risk jurisdiction. Consequently, the cost of writing policies in Hawai'i has grown, and some reinsurers have withdrawn or reduced capacity. Additionally, the state currently lacks a catastrophe insurance reserve or funding mechanism to assist in market stabilization.

III. Key Challenges in Hawai'i

Climate-Driven Catastrophic Risk
The 2023 wildfires in Lahaina and Kula were among the most destructive in U.S. history and marked a paradigm shift for the Hawai'i insurance industry. Previously considered a low-risk wildfire state, Hawai'i is now reassessed by insurers and reinsurers as highly exposed. Through higher temperatures, drought conditions, and invasive grasses, climate change has significantly increased fire risk. Additionally, Hawai'i remains exposed to hurricanes, with the last major landfalling event (Hurricane Iniki) in 1992 still deeply etched in the industry's risk modeling.

Limited Market Competition
While multiple insurers are licensed to write homeowners policies in Hawai'i, actual competition is limited, particularly on neighbor islands and in high-risk zip codes. National carriers have begun to tighten underwriting guidelines, restrict new policies, or exit certain areas altogether. In some parts of Maui and West Hawai'i, residents report increasing difficulty finding coverage, particularly for older homes or those near wildland-

urban interfaces.

Reinsurance Volatility
Insurers operating in Hawai'i are heavily reliant on the global reinsurance market. Changes in the availability and cost of reinsurance directly affect consumer purchasing options and insurance pricing. Following the Lahaina fire, reinsurers reassessed their exposure, leading them to raise premiums and more exclusions--costs that are passed on to policyholders or prompt insurer withdrawal.

Risk Misalignment and Lack of Incentives
There is currently a weak connection between homeowner risk mitigation actions and insurance pricing. Even homeowners who clear brush, retrofit their homes, or build to strong codes do not necessarily receive premium discounts or improved coverage options. Without better alignment of risk and rate, there is limited incentive for resilience investment, and insurance remains unaffordable or unavailable even to those who take preventive action.

Regulatory and Legislative Gaps
Hawai'i lacks certain tools that other states have developed to manage insurance crises, such as catastrophe reinsurance funds, or structured mitigation incentive programs. The absence of these tools limits the state's ability to intervene when markets fail and places the burden of navigating risk squarely on homeowners and private insurers. The HPIA and HHRF are a step in the right direction, though further development may be required to realize the full potential of these residual market mechanisms.

IV. Lessons from Other States

Hawai'i is not alone in facing insurance market instability driven by climate risk. Several U.S. states have experienced large-scale insurer withdrawals, premium surges, and increased affordability issues. While each state's circumstances are distinct, they offer instructive lessons for Hawai'i as it crafts a stabilization strategy.

California: Wildfire and Insurance Retreat
California has struggled with insurance availability and affordability in wildfire-prone regions. Following several catastrophic fire seasons since 2017, major insurers began to non-renew or restrict coverage in the wildland-urban interface. In response, California:

- Expanded the California FAIR Plan, a residual market program (and insurer of last resort) offering basic fire coverage.
- Imposed temporary moratoriums on cancellation or non-renewals in disaster zones.
- Adopted regulations requiring insurers to consider wildfire mitigation efforts (e.g., defensible space, hardening) in underwriting.

However, California's strict rate regulation process has discouraged new market entrants and limited insurers' ability to price risk flexibly. The state’s FAIR plan is becoming overwhelmed as even homeowners in low-risk areas face a lack of choices in the private market. Consumer protection must be balanced with rate adequacy to prevent over-reliance and avoid similar unintended consequences.

Florida: Catastrophe Exposure and Litigation
Florida's homeowners insurance market has long faced challenges from hurricanes and high litigation rates. Over the past decade:

- Premiums have doubled or tripled for many homeowners.
- Dozens of private insurers became insolvent or exited the market.
- Citizens Property Insurance Corporation, Florida's state-run insurer of last resort, became the largest insurer in the state.
- A series of legislative reforms (2022-2023) aimed to reduce litigation abuse, streamline claims processes, and stabilize rates.

Florida's experience shows that without litigation reform and robust reinsurance support, a private market can quickly become unviable. However, over-reliance on a public insurer has also raised concerns about long-term financial sustainability.

Louisiana: Depopulation and Post-Disaster Collapse
After Hurricanes Laura, Delta, and Ida, Louisiana experienced a wave of insurer insolvencies. The state was forced to:

- Activate its Louisiana Citizens plan to absorb displaced policyholders.
- Offer depopulation incentives to encourage private market re-entry.
- Use public funds to pay outstanding claims from failed insurers.

Louisiana's case underscores the danger of inadequate reserves and the importance of maintaining solvency standards, strong reinsurance coverage, and risk-based pricing.

Key Takeaways for Hawai'i

- Residual market mechanisms are essential safety nets.
- Mitigation incentives and risk-based pricing can slow insurer retreat.
- Regulatory flexibility is critical to maintaining market participation.
- Public-private reinsurance structures may stabilize availability and affordability.

V. Mechanisms to Ensure Timely Condominium Repair and Maintenance

Any study addressing problems in Hawai’i’s homeowners insurance market must also provide solutions for condominiums. Ensuring the timely repair and maintenance of condominiums in Hawai’i plays a critical role in enhancing their insurability. Many Hawai'i condominiums were built between the 1960’s and 1980’s which means that plumbing and infrastructure is nearing the end of its lifespan. The humid and salty environment also contributes to the deterioration of windows and railings which adds to safety concerns. High costs of repair can result in deferred maintenance or repairs, which may lead to potential safety hazards and costlier repairs in the future.

Challenges affecting timely repair and maintenance

Financial constraints and reserve shortages

Many in Hawai'i struggle with the high cost of living, which can lead homeowners to the difficult dilemma of whether to pay for maintenance or everyday expenses. Special assessments or loans for emergency repairs can be controversial or hard to implement, and many associations underfund reserve accounts to keep maintenance fees low. Hawai'i law requires condominium associations to perform a reserve study at least once every three years to ensure that there is sufficient funding for maintenance and repairs.

Insurance market pressures

The insurance market, especially for hurricane coverage, brings about pressure to condominium boards and owners. Soaring insurance costs due to natural disasters and inflation deters condominium associations from scheduling repairs with the uncertainty of insurance coverage which can lead to further deferred maintenance and increased premiums.

Legal, regulatory and governance complexities

There are statutes in place setting forth the responsibilities to repair and maintain condominium associations, however they may be complex and overwhelming for condominium associations and owners (Hawaii Revised Statutes §514B-137 through 140, 514B-38, 514B-35). Association boards must make internal decisions, handle legal and logistical concerns, and ensure that construction and repair comply with local ordinances. They also have the authority to enforce rules and regulations and impose fines or penalties when unit owners or tenants violate the condominium declaration or bylaws.

The Hawai'i DCCA Real Estate Commission (REC) has oversight over condominium associations and developers while the Insurance Division regulates the insurance industry. By effectively tying property insurance status to maintenance compliance, leveraging the complementary oversight roles of both divisions and enforcing transparency and oversight through inspections and reporting, there can be greater oversight over maintenance-related risks.

Possible mechanisms to ensure timely maintenance and repair

- Expand the statutory authority of the REC to include oversight and coordination over condominium association activities relating to maintenance and upkeep. In this role, the REC should recommend risk mitigation strategies such as mandated requirements with condominium governance standards, promote maintenance or building upgrades, and develop educational programs for condominium boards emphasizing both regulatory compliance and cost-effective insurance practices.
- Create state-backed loan programs that can provide condominiums with funding for urgent maintenance and repairs, preventing insurance issues that arise from neglected structural problems without exposing taxpayers to liability for defaults.

- Establish requirements for condominiums to provide detailed maintenance plans, periodic inspections, and submit proof of compliance to a designated state authority.
- Implement reporting requirements to ensure transparency and accountability, through coordination and efforts of residents, associations, and state agencies.
- Conduct audits and periodic reviews to ensure that condominium associations and owners are satisfying their statutory obligations.

In addition to a study that identifies mechanisms to ensure that condominiums are maintained, further discussions must be had with communities and groups that will play a role in monitoring and regulating compliance with these existing requirements. Monitoring compliance with existing condominium laws will likely require additional legislation and a collaborative effort between legislators, regulatory agencies, condominium boards, owners and residents.

VI. Establishment of a Mutual or Captive Insurance Model

The feasibility of establishing a mutual or captive insurance model as a possible solution to address the affordability and availability of property insurance in Hawai'i is also an area that must be explored in the study required by Act 296. This has been considered previously and is discussed in a 2025 white paper presented by the Executive and Legislative Condo and Property Insurance Task Force. The following is an overview of some of the white paper's analysis of the challenges facing the Hawai'i insurance market, providing a basis for some of the scenarios that should be part of the study.

Mutual Insurer Models

Residential associations forming a mutual insurance company
This would result in the creation of a member-owned mutual insurance company (the entity would be created by private parties for the benefit of its policyholders). A study is needed to determine whether the cost of creating the company would be beneficial to an interested party that would run the mutual company. This scenario only addresses non-hurricane property insurance.

A mutual insurer created by statute
The establishment of a mutual insurer similar to the HEMIC model under HRS Chapter 431 Article 14A was discussed. Without current statutory authority, legislation would be required, and establishment and management of a new entity might be unnecessary given the availability of funds in HPIA and HHRF for a similar purpose. Ultimately, this was not recommended as a solution.

Insurance Captive formed by AOAOs
The whitepaper discussed the formation of a captive entity by a large AOAO or group of AOAOs. This model was not recommended based on foreseen challenges such as the need for initial capital, limitation of coverage for the entity and its policyholders (rather than all condominiums), and uncertainty surrounding obtaining of approvals to establish the entity.

Captive models in other states
While Hawai'i as a state, cannot itself take on the role of a captive insurer, states like Connecticut and Tennessee have enacted a series of legislation to form non-profit captive insurance entities with limited purposes.

Connecticut:
Connecticut established the Connecticut Foundations Solutions Indemnity company, Inc. (CFSIC), a non-profit captive created by legislation dedicated solely to addressing claims relating to crumbling foundations (concrete containing pyrrhotite) and funded by state bonds and a Healthy Homes surcharge on homeowner insurance policies. CFSIC operates as an independent entity although it is supported by state funds and maintains operational and legal separation from governmental agencies and commercial insurers. It would take some time for Hawai'i to develop something similar, and extensive legislative measures are necessary.

Tennessee:
Tennessee established the Tennessee Captive Insurance Company in 2022, its own non-profit captive insurance company for the limited purpose of managing state property and cyber risks. Unlike Connecticut's entity, Tennessee's entity collects premiums. Tennessee has revised its statutes to permit a variety of captive structures including special purpose captives. See, Revised Tennessee Captive Insurance Act (Title 56, Chapter 13).

For Hawai'i to establish captive models like these states, extensive time and legislative actions will be necessary. While the white paper did not explicitly recommend that Hawai'i adopt these models, a study of the feasibility of these models is nevertheless required by Act 296 and will assist the Commissioner in developing appropriate long-term solutions for affordability and availability of homeowners insurance in Hawai'i.

VII. Long-Term Funding

Act 296 has set HPIA and HHRF as stop-gap measures, nevertheless long-term funding must be considered for long-term insurance market reform. The study should also address catastrophe reserve funding and reinsurance as potential funding strategies.

Establish a Hawai'i Catastrophe Reserve Fund
Consider the creation of a state-managed fund or public-private partnership to provide reinsurance support and liquidity following major disasters, reducing reliance on volatile global reinsurance markets. The revival of the HHRF provides temporary solutions relating to the aftermath of hurricanes but does not cover other natural disasters.

Authorize Catastrophe Bonds or Parametric Insurance Programs
Enable the state to issue catastrophe bonds or participate in innovative risk transfer mechanisms to finance disaster risk.

Responsible Management of Catastrophic Funds from the Hotel Room Tax
In response to the growing risks posed by natural disasters such as wildfires, hurricanes,

and floods, Hawai'i has recently approved a dedicated hotel room tax aimed at generating revenue to fund catastrophic risk management. The revenue collected from the hotel room tax should be allocated to a state-managed catastrophe fund designed to provide financial backstops for insurers, support disaster recovery, and invest in mitigation projects that reduce future losses. This fund acts as a critical financial buffer that reduces insurers' exposure to high-cost claims and can prevent market withdrawal or premium spikes. The effective and responsible stewardship of these funds is paramount to ensuring that they fulfill their intended purpose of stabilizing the homeowners insurance market and enhancing community resilience. Effective management of such a catastrophe fund may provide Hawai'i with a robust financial tool to mitigate the volatility of the insurance market.

Reinsurance

Reinsurance is the insurance that insurers purchase to protect against catastrophic losses and is a central pillar of homeowners insurance markets, especially in high-risk regions like Hawai'i. Reinsurers provide coverage to insurers for losses above certain thresholds, usually in the form of treaties or catastrophe bonds. This allows insurers to write more policies without bearing the full brunt of a major event, such as a wildfire or hurricane.

<u>Reinsurance Trends Impacting Hawai'i</u>

Global reinsurance markets have hardened in recent years due to increased frequency and severity of natural disasters, inflation in construction and repair costs, and investment volatility and capital scarcity post-COVID-19. As a result, reinsurers are charging higher premiums, raising attachment points (i.e., the loss level at which reinsurance kicks in), and reducing capacity for high-risk zones. For Hawai'i, this means, insurers must retain more risk or purchase more expensive coverage, premiums for homeowners increase as insurers pass on costs, and some insurers reduce or cease underwriting in areas where reinsurance is unavailable or unaffordable.

<u>Public-Private Reinsurance Options</u>

Several states have created public or hybrid reinsurance mechanisms to stabilize their markets:

- Florida: Offers the Florida Hurricane Catastrophe Fund, a public reinsurance layer.
- California: Allows the FAIR Plan to purchase private reinsurance to protect against large losses.
- Texas: Maintains the Texas Windstorm Insurance Association, with both public assessments and reinsurance.

Hawai'i could explore similar models, including:

- The potential creation of a state catastrophe reserve fund to provide relief (in addition to the Hawai'i Hurricane Relief Fund).
- A parametric reinsurance program or catastrophe bond issuance to provide rapid post-disaster liquidity.

- Participation in regional risk pools or climate risk transfer partnerships.

VIII. Risk Mitigation Strategies

Reducing physical risk is one of the most effective and sustainable ways to stabilize insurance market. Hawai'i can take several proactive steps to promote mitigation at both the property and community levels. The following are some of the risk mitigation strategies that should be explored in the study.

Maintaining Condominium Insurability
Provisions of Act 296 incentivize property owners to maintain units and adhere to maintenance schedules to keep condominiums in insurable condition. The responsibility of maintaining, repairing and replacing common elements and structural portions of units are the statutory duties condominium associations. Additionally, providing financial assistance and incentives for compliance may reduce deferred repairs which may negatively affect the condominium’s insurability.

Home Hardening and Defensible Space
One of the clearest lessons from wildfire-prone states is that certain building materials and landscaping techniques significantly improve a home's chances of survival. These include Class A fire-rated roofing materials, ember-resistant vents, enclosed eaves and decks, noncombustible siding, five-foot nonflammable defense space zones, and clearing of vegetation and combustible materials near structures. States like California and Colorado have created wildfire risk reduction standards and offer grants or insurance discounts for compliance. Hawai'i could adopt similar building codes and establish a grant program, to assist homeowners, especially in rural or lower-income areas, but without burdening taxpayers.

Implement Wildfire Mitigation Legislation (i.e. Safe Homes Act)
Other states have taken legislative action and implemented formal programs aimed at taking proactive measures by increasing home safety and reducing wildfire risk. Notably, California and its Safe Homes Act was designed to enhance wildfire resilience and stabilize the insurance market in California. The act provides financial support to homeowners to implement measures that reduce wildfire vulnerability such as fire-resistant roofing and community level wildfire protection strategies. The program funds improvements such as home hardening and creating defensible space, which mitigates wildfire exposure and may help homeowners to qualify for lower premiums. Hawai'i could adopt similar legislation and initiatives that will require community and stakeholder engagement to successfully implement these strategies to lower catastrophe risk.

Community Wildfire Protection Plans (CWPPs)
CWPPs are locally developed plans that identify and mitigate wildfire risks to communities. They are often used to prioritize fuel reduction projects, improve emergency response coordination, and secure federal funding. Counties or neighborhood associations in Hawai'i could be supported by state funding and technical assistance to develop or expand CWPPs.

Mitigation-Based Insurance Incentives
Currently, there is little linkage in Hawai'i between homeowners' mitigation efforts and their insurance premiums. Introducing mitigation-based rating differentials-where insurers provide premium reductions for hardened homes-could drive resilience investments. This would require state-supported risk inspections or certifications, actuarial modeling that accounts for mitigation, and regulatory encouragement for insurers to adopt incentive-based rating plans.

Land Use and Planning Integration
Improved land use planning can reduce exposure by restricting development in high-risk zones (e.g., wildland-urban interface, coastal flood zones), requiring risk assessments as part of building permits or subdivision approvals, and aligning zoning codes with mitigation and evacuation needs. Long-term market stability requires integrating risk reduction into Hawai'i's land use framework.

Modernizing Hawai'i's Natural Water Distribution Policy
Hawai'i's water system under existing policies lack the flexibility and coordination necessary to respond to modern risks such as prolonged drought, increased wildfire hazards, and changing community demands. Additionally, inconsistent water availability hampers the ability to maintain defensible space around homes in wildfire-prone areas. Limited access to reliable water sources can exacerbate fire severity and undermine mitigation efforts, increasing insurers' risk exposure.

Changes to consider:

- With the legislature's constitutional authority, enact reforms that balance traditional water rights with modern sustainability and resilience needs.
- Integrate and coordinate surface and groundwater management across state and county jurisdictions to optimize resource allocation and prioritize fire risk reduction.
- Invest in modernizing and expanding reservoirs, cisterns, and irrigation systems, particularly in wildfire-prone and rural areas, to support vegetation management and emergency firefighting needs.
- Reevaluate water rights, access, and prioritization.
- Incentivize water conserving landscaping.
- Foster partnerships with native Hawaiian organizations, farmers, and local communities to develop water-sharing agreements and culturally informed water stewardship practices.

IX. The Role of Data and Modeling in Risk Assessment

Accurate, transparent, and localized risk data is essential to a functioning homeowners insurance market and necessary for monitoring the stability of the property insurance market. Risk modeling informs underwriting decisions, pricing structures, and mitigation strategies. However, in Hawai'i, both insurers and the public face gaps in data availability and standardization.

Catastrophe Modeling in Hawai'i
Insurers increasingly rely on proprietary catastrophe models to assess wildfire, hurricane, earthquake, and flood risk. These models simulate thousands of potential scenarios to estimate losses and help set rates. While useful, such models may include assumptions which can lead to widely divergent results, leading to inconsistent pricing. Hawai'i's Insurance Division requires model disclosures and technical documentation to help ensure consistency and fairness in how the proposed model implementations are used.

Public Risk Mapping Tools
Other states and federal agencies have invested in public-facing risk maps, such as California's Fire Hazard Severity Zones, FEMA's Flood Insurance Rate Maps, and NOAA's Sea Level Rise Viewer. Hawai'i could develop similar public tools to identify wildfire-prone communities based on fuel loads and topography, map areas with high hurricane or tsunami exposure, and overlay insurance market data to detect service gaps. Accessible mapping tools also support emergency management, mitigation planning, and homeowner awareness.

Data Sharing and Interagency Coordination
A robust risk data framework requires cooperation among the Insurance Division (market data), Department of Land and Natural Resources (wildfire and coastal risk), County planning offices (land use and structure data), and academia and nonprofits (modeling and analysis).

Data Gathering and Analyzing
Creating a state-wide insurance risk and resilience data portal would consolidate relevant datasets, assist with monitoring the insurance market, and improve decision-making across sectors by enabling the following:

- Analyze trends in premium increases, deductible levels, and coverage limits across private insurers and state entities.
- Maintain detailed records of claims, especially hurricane-related losses, to assess exposure and solvency risk.
- Track the number and capacity of private insurers offering coverage, especially in high-risk zones to detect signs of market exit.
- Develop datasets on hurricane paths, flood zones, wildfire risk, and erosion to help evaluate aggregate exposure within portfolios covered by HPIA or HHRF.
- Set forth periodic reporting requirements from HPIA and HHRF to the legislature or insurance commissioner, focusing on solvency, coverage gaps, and risk exposures.

X. <u>Economic, Cultural, and Social Equity Considerations</u>

Any stabilization strategy must account for the disproportionate impact of insurance disruptions on vulnerable populations, especially native Hawaiian communities, low-income households, and rural residents. Without equity-focused policies, reforms may unintentionally widen existing disparities. Residents in high-risk areas-often rural or native Hawaiian homelands-face the greatest risk of losing coverage or being priced out of the market. These communities may lack the resources to retrofit homes or pay rising premiums, often reside in older structures or off-grid areas that insurers avoid, and have fewer insurer options due to geography or perceived risk. A stabilization framework must ensure that safety nets and subsidies reach these households. To ensure that insurance is affordable and accessible, Hawai'i could establish an insurance affordability assistance plan, offering means-tested premium subsidies, grants or loans for mitigation upgrades, and coverage counseling and navigation support. To ensure equity, policy development should include representation from impacted communities in advisory groups, conduct public hearings or focus groups in rural and neighbor island areas, and require equity impact assessments for new legislation or regulations.

XI. Legal Challenges

A recent Hawai'i Supreme Court ruling in the Maui wildfire settlement limits insurer’s recovery rights holding that insurers may only pursue subrogation claims against responsible third parties if the insured has not already filed a lawsuit related to the loss. This limitation represents a shift away from broader subrogation rights traditionally available to insurers and shifts the balance of power toward policyholders in subrogation matters, placing greater financial strain on insurers. Restricting insurer subrogation rights can reduce the market's ability to manage catastrophic risk costs efficiently, possibly leading to less availability of affordable coverage. Legislative clarification or reform may be necessary to establish a fair framework that balances insurer recovery rights with insured protections. By understanding and addressing the consequences of this decision, Hawai'i can better support a stable and functional homeowners insurance market.

The enactment of Hawai'i Senate Bill 897 (Act 258) on July 1, 2025, presents similar issues on subrogation and established a liability cap for damages in wildfire cases. The Public Utilities Commission is charged with adopting administrative rules to implement a cap. Until such time, it is premature to speculate about the liability cap’s impact on homeowners insurance.

XII. Conclusion

This interim report presents some of the issues that must be included in the study pursuant to Act 296, including some of the challenges faced by Hawai’i due to the volatile homeowner’s insurance market. Though this report presents some potential ideas as solutions, the study must be completed before the Commissioner can make proper recommendations and present a long-term plan to stabilize the Hawai’i homeowner’s insurance industry at this time.

Senate Bill 1044, Act 296 has opened the door to opportunities for a comprehensive, long-term stabilization strategy. By investing in mitigation, regulatory modernization, transparency, and public-private collaboration, Hawai'i can chart a path forward that preserves market participation, protects consumers, and strengthens communities.

Appendices

Appendix A: Glossary of Key Terms

Term	Definition
FAIR Plan	Fair Access to Insurance Requirements Plan. A state-established insurance pool offering coverage to properties deemed high risk and uninsurable by private carriers.
Reinsurance	Insurance purchased by insurers to protect themselves against large losses from catastrophes.
Catastrophe Bond (Cat Bond)	A high-yield debt instrument used to transfer catastrophe risk to investors.
Wildland-Urban Interface (WUI)	Areas where human development meets or intermingles with undeveloped wildland vegetation. Often at elevated wildfire risk.
Mitigation	Actions taken to reduce the severity or likelihood of damage from natural disasters (e.g., fire-resistant building materials).
Home Hardening	Retrofitting homes with materials and designs to make them more resistant to wildfire or hurricane damage.
Non-Renewal	The decision by an insurance company not to renew a policy at the end of its term

Appendix B: Selected Resources and References

Statutes and Laws

Act 296 (S.B. 1044, S.D. 2, H.D. 2, C.D. 1 – Relating to the Stabilization of Property Insurance)
Act 258 (S.B. 897, S.D. 3, H.D. 2, C.D. 1 – Relating to Energy)
Haw. Rev. Stat. § 431
Cal. Ins. Code § 675.1(a)(3)
Fla. Stat. § 215.555

Cases

St. Paul Fire & Marine Ins. Co. v. Bodell Constr. Co., 153 Hawai'i 381, 538 P.3d 1049 (Haw. 2023)

Other References

Arthur Fliegelman, *Wind, Fire, Water, Hail: What is Going on in the Property Insurance Market and Why Does it Matter?*, The Office of Financial Research (Dec. 14, 2024), https://www.financialresearch.gov/the-ofr-blog/2023/12/14/property-insurance-market/

Brandon Cornett, *Florida Home Insurance Crisis Explained: Spring 2025 Update,* Home Buying Institute (Apr 20, 2025), https://homebuyinginstitute.com/mortgage/florida-home-insurance-crisis/

Connecticut Foundations Solutions Indemnity Company, Inc., Connecticut Foundation Solutions Indemnity Company, LLC – CFSIC

Daniel Abrahams and Tim Robustelli, *Climate Change, Housing, and Homeowners Insurance in Hawaii: Lessons for California,* New America (Sept. 17, 2025), https://www.newamerica.org/future-land-housing/briefs/insurance-in-hawaii-lessons-for-california/

Federal Emergency Management Agency, *Creating a Community Protection Plan May 2025* (2025), usfa.fema.gov/downloads/pdf/publications/creating_a_cwpp.pdf

Hawaii Insurance Market Stabilization Recommendations (2025), https://cca.hawaii.gov/ins/hawaii-insurance-market-stabilization-recommendations/

Jeff Dunsavage, *Hurricanes Drive Louisiana Insured Losses, Insurer Insolvencies,* Insurance Information Institute (Aug. 9, 2022), https://us-west4-menlo-view.menlosecurity.com/https://insuranceindustryblog.iii.org/hurricanes-drive-louisiana-insured-losses-insurer-insolvencies/

Kathryn Drury Wagner, *Condos Under Pressure,* Hawaii Business Magazine (Jul. 8, 2025), https://www.hawaiibusiness.com/condos-under-pressure/

Legislation Regarding Structural Integrity and Condo Safety, Reserve Advisors, https://www.reserveadvisors.com/resources/blog/legislation-regarding-structural-integrity-and-condo-safety/

Noelle Fujii-Oride, *A Condominium Can Last Hundreds of Years, But Not its Components,* Hawaii Business Magazine (Aug. 31, 2020), https://www.hawaiibusiness.com/condo-owners-beware-part-1/

Phoebe E. Neseth, Esq., *CAI Advocacy's Condo Safety Related State Legislation Round-Up,* Community Associations Institute, (Jun 22, 2023), https://advocacy.caionline.org/condo-safety-state-legislation-round-up/