

JAN 23 2026

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## A BILL FOR AN ACT

RELATING TO INSURANCE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. The legislature finds that the August 2023 Maui  
2 wildfires destroyed thousands of homes and displaced countless  
3 families, creating an unprecedented housing crisis that exposed  
4 major vulnerabilities in Hawaii's disaster recovery systems.

5 The Maui wildfires also demonstrated the urgent need to  
6 modernize the State's insurance laws to provide the flexibility  
7 required to adequately respond to future disasters such as  
8 hurricanes, wildfires, tsunami, flooding, and volcanic  
9 eruptions.

10 The legislature further finds that homeowners who have  
11 experienced a catastrophic loss often face extended recovery  
12 timelines of five years or more due to underinsurance, material  
13 shortages, workforce limitations, and delays in securing permits  
14 and funding. Hawaii's limited rental housing inventory is prone  
15 to market failure following major disasters, further driving up  
16 costs and leaving families without stable or affordable housing  
17 options.



1       The legislature also finds that current insurance policies  
2       often restrict homeowners to rebuilding at the original site,  
3       even if rebuilding at the same site is unsafe, impractical, or  
4       would result in significant delays. Insurance policies also do  
5       not allow coverage limits to be combined to bridge funding gaps.  
6       In contrast, other states such as California, Colorado, and  
7       Oregon have enacted reforms that allow homeowners to rebuild or  
8       purchase an existing home at a different location while keeping  
9       total insurer liability capped at existing policy limits. The  
10      legislature believes Hawaii's laws should be similarly  
11      modernized to provide flexibility to recover from disasters  
12      without creating new costs or obligations for insurers. These  
13      reforms will help families remain near their communities,  
14      relieve pressure on the already stressed rental market, speed  
15      recovery, and increase resilience to future disasters.

16       Accordingly, the purpose of this Act is to give insured  
17      persons flexibility to use their existing insurance benefits in  
18      a more efficient way to secure safe and stable housing after a  
19      disaster.



1 SECTION 2. Chapter 431, Hawaii Revised Statutes, is  
2 amended by adding a new part to article 10E to be appropriately  
3 designated and to read as follows:

4 **"PART . HOMEOWNERS INSURANCE; REBUILDING OR REPLACING  
5 DWELLINGS**

6 **§431:10E-A Definition.** As used in this part, unless the  
7 context otherwise requires:

8 "Covered total loss" means a total loss to an insured's  
9 primary dwelling caused by a peril that:

10 (1) Is covered under a homeowners insurance policy; and  
11 (2) Occurred pursuant to a state of emergency.

12 "State of emergency" means a state of emergency or local  
13 state of emergency declared by the governor or a mayor pursuant  
14 to section 127A-14.

15 **§431:10E-B Right to rebuild or replace at a new location.**

16 (a) Notwithstanding any other law or policy language to the  
17 contrary, and except as provided in this part, a homeowners  
18 insurance policy issued or delivered in this State shall not  
19 contain any provision that limits or denies a payment of  
20 replacement cost, extended replacement cost, or building code



1 upgrade cost for a dwelling that has sustained a total loss  
2 solely because the insured elects to:

3 (1) Rebuild the dwelling at a different location; or  
4 (2) Purchase an already-constructed home at a different  
5 location.

6 (b) The total payment to an insured under this section  
7 shall not exceed the replacement cost that would have been  
8 payable if the dwelling had been rebuilt at its original  
9 location, including any applicable extended replacement cost and  
10 building code upgrade coverage.

11 (c) The calculation of the replacement cost to:  
12 (1) Rebuild a dwelling at a different location; or  
13 (2) Purchase a dwelling at a different location,  
14 shall not include consideration of the value of the land upon  
15 which the replacement residence is located.

16 **\$431:10E-C Combining limits after covered total loss.** (a)  
17 If, upon determination of a covered total loss, the insured's  
18 dwelling coverage limit is insufficient to rebuild or replace  
19 the primary residence, the insurer shall allow the insured to  
20 combine dwelling and other structures coverage limits to fund  
21 the rebuilding or replacement of the primary residence; provided



1 that the combined total does not exceed the sum of those limits  
2 as stated in the policy.

3 (b) Any claim payments for losses that allow for the  
4 combination of the coverage limits for dwellings and other  
5 structures, and for which replacement cost coverage is  
6 applicable, shall be for the full replacement value of the loss  
7 without requiring actual replacement of the other structures.

8 **§431:10E-D Notice to policyholders.** Following the  
9 declaration of a state of emergency that affects an insured  
10 property, that has undergone a covered total loss, the insurer  
11 shall provide clear written notice to the affected policyholder  
12 of the policyholder's rights to:

13 (1) Rebuild or replace the dwelling at a different  
14 location pursuant to section 431:10E-B; and  
15 (2) Combine coverage limits pursuant to section  
16 431:10E-C."

17 SECTION 3. This Act does not affect rights and duties that  
18 matured, penalties that were incurred, and proceedings that were  
19 begun before its effective date.

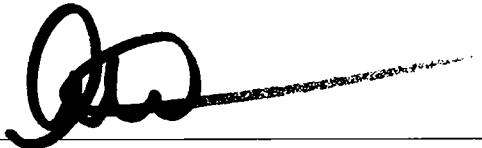
20 SECTION 4. In codifying the new sections added by  
21 section 2 of this Act, the revisor of statutes shall substitute



1 appropriate section numbers for the letters used in designating  
2 the new sections in this Act.

3 SECTION 5. This Act shall take effect on January 1, 2027,  
4 and shall apply to all homeowners insurance policies issued or  
5 renewed on or after that date.

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INTRODUCED BY: 



# S.B. NO. 2962

**Report Title:**

Homeowners Insurance; Rebuilding or Purchase at Different Location; Combination of Coverage Limits; Notice

**Description:**

Prohibits homeowners insurance policies from limiting or denying payment of replacement costs, extended replacement costs, or building code upgrade costs for a dwelling solely because the insured elects to rebuild the dwelling at a different location or purchase an already-constructed home at a different location. Allows for the combination of dwelling and other structures coverage limits to fund the rebuilding or replacement of the primary residence under certain conditions. Requires notice to policyholders.

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