

JAN 23 2026

A BILL FOR AN ACT

RELATING TO PROPERTY INSURANCE.

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

1 SECTION 1. The legislature finds that widespread
2 underinsurance slows community disaster recovery and increases
3 the cost of aid provided by nonprofit and governmental entities.
4 The legislature further finds that the 2023 Maui wildfires
5 revealed that many homeowners were severely underinsured,
6 leaving many affected residents unable to rebuild and forcing
7 them into debt or permanent displacement.

8 The legislature recognizes that Hawaii faces rapidly
9 escalating rebuilding costs due to the State's geographic
10 isolation and reliance on imported materials, high labor costs,
11 limited workforce availability, and lengthy permitting and
12 rebuilding timelines. These factors cause replacement costs to
13 rise quickly, often outpacing policy limits if coverage is not
14 reviewed regularly.

15 The legislature notes that most homeowners do not receive
16 annual updates about whether their coverage matches the current
17 cost of rebuilding. Homeowners often discover that they are



1 underinsured only after a catastrophic loss. This lack of
2 transparency leaves policyholders vulnerable and less likely to
3 recover fully following a disaster.

4 The legislature finds that other states offer models for
5 property insurance reform. Colorado requires insurers to
6 disclose construction cost estimates at each renewal; to offer
7 enhanced coverage, such as extended replacement cost and law and
8 ordinance coverage; and to consider homeowner-provided
9 estimates. California requires insurers providing replacement
10 cost estimates to update their data annually and to include in
11 the estimates detailed cost components such as labor, permits,
12 demolition, and debris removal.

13 The legislature finds that Hawaii does not require annual
14 replacement cost disclosures or offers to purchase full
15 replacement coverage. Without these protections, homeowners may
16 unknowingly remain underinsured, post-disaster rebuilding delays
17 may increase, and nonprofit and government disaster relief
18 efforts may face higher costs and longer timelines.

19 Accordingly, the purpose of this Act is to support faster
20 and more resilient community recovery after disasters.
21 Specifically, this Act requires insurers to:



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

"PART . . . REPLACEMENT COST DISCLOSURE AND INSURANCE TO VALUE

10 §431:10E-A Definitions. As used in this part:

11 "Dwelling coverage limit" means the maximum amount the
12 homeowners insurer will pay to repair, rebuild, or replace the
13 home's physical structure and attached items after a covered
14 loss.

15 "Homeowners insurance" has the same meaning as in
16 section 431:14-110.8.

17 "Homeowners insurer" has the same meaning as in
18 section 431.14-110.8

19 "Policyholder" means the person named as the insured under
20 the homeowners insurance.



1 "Replacement cost" means the amount necessary to repair,
2 rebuild, or replace damaged property with materials of like kind
3 and quality, without deduction for depreciation.

4 **\$431:10E-B Annual disclosure requirements.** (a) At least
5 once every twelve months and coinciding with policy renewal,
6 each homeowners insurer shall provide the policyholder with a
7 written replacement cost estimate prepared in accordance with
8 section 431:10E-D that clearly states whether the current
9 dwelling coverage limit will cover the replacement cost.

10 (b) The disclosure shall be titled "Replacement Cost
11 Disclosure" and shall be delivered:

12 (1) In paper or electronic format; and
13 (2) Separately from the policy renewal package.

14 **\$431:10E-C Offer to insure to replacement cost.** (a) If
15 the dwelling coverage limit is less than the replacement cost,
16 the homeowners insurer shall offer the policyholder the option
17 to purchase additional coverage under the homeowners insurance
18 to increase the dwelling coverage limit to equal the replacement
19 cost.

20 (b) The offer shall:

21 (1) Include the premium for the increased coverage;



- 1 (2) Remain open for thirty days; and
- 2 (3) Be renewed annually.

§431:10E-D Requirements for replacement cost estimates.

4 Any replacement cost estimate provided under this part shall:

5 (1) Be specific to the insured property;

6 (2) Be based on current local labor and material costs;

7 (3) Include all components of the replacement cost,

8 including the cost of:

9 (A) Labor and materials;

10 (B) Overhead and profit;

11 (C) Demolition and debris removal;

12 (D) Architectural and engineering fees;

13 (E) Permits and inspections; and

14 (F) Other necessary costs;

15 (4) Take into consideration any estimate from a contractor
16 or an architect submitted by the policyholder; and
17 (5) Be updated annually to reflect current costs.

§431:10E-E Recordkeeping and transparency. For at least

19 five years after the homeowners insurance term has expired,
20 homeowners insurers shall maintain documentation that supports



1 each replacement cost estimate and notes the policyholder's
2 decision to accept or decline replacement cost coverage.

3 **§431:10E-F Enforcement.** Failure to comply with this part
4 shall constitute an unfair or deceptive act or practice in the
5 business of insurance under section 431:13-103."

6 SECTION 3. Section 431:13-103, Hawaii Revised Statutes, is
7 amended by amending subsection (a) to read as follows:

8 "(a) The following are defined as unfair methods of
9 competition and unfair or deceptive acts or practices in the
10 business of insurance:

11 (1) Misrepresentations and false advertising of insurance
12 policies. Making, issuing, circulating, or causing to
13 be made, issued, or circulated, any estimate,
14 illustration, circular, statement, sales presentation,
15 omission, or comparison that:

16 (A) Misrepresents the benefits, advantages,
17 conditions, or terms of any insurance policy;

18 (B) Misrepresents the dividends or share of the
19 surplus to be received on any insurance policy;



- (C) Makes any false or misleading statement as to the dividends or share of surplus previously paid on any insurance policy;
- (D) Is misleading or is a misrepresentation as to the financial condition of any insurer, or as to the legal reserve system upon which any life insurer operates;
- (E) Uses any name or title of any insurance policy or class of insurance policies misrepresenting the true nature thereof;
- (F) Is a misrepresentation for the purpose of inducing or tending to induce the lapse, forfeiture, exchange, conversion, or surrender of any insurance policy;
- (G) Is a misrepresentation for the purpose of effecting a pledge or assignment of or effecting a loan against any insurance policy;
- (H) Misrepresents any insurance policy as being shares of stock;
- (I) Publishes or advertises the assets of any insurer without publishing or advertising with equal





1 abetting, or encouraging the making, publishing,
2 disseminating, or circulating of any oral or written
3 statement or any pamphlet, circular, article, or
4 literature [which] that is false, or maliciously
5 critical of or derogatory to the financial condition
6 of an insurer, and [which] that is calculated to
7 injure any person engaged in the business of
8 insurance;

9 (4) Boycott, coercion, and intimidation.

10 (A) Entering into any agreement to commit, or by any
11 action committing, any act of boycott, coercion,
12 or intimidation resulting in or tending to result
13 in unreasonable restraint of, or monopoly in, the
14 business of insurance; or

15 (B) Entering into any agreement on the condition,
16 agreement, or understanding that a policy will
17 not be issued or renewed unless the prospective
18 insured contracts for another class or an
19 additional policy of the same class of insurance
20 with the same insurer;

21 (5) False financial statements.



1 (A) Knowingly filing with any supervisory or other
2 public official, or knowingly making, publishing,
3 disseminating, circulating, or delivering to any
4 person, or placing before the public, or
5 knowingly causing, directly or indirectly, to be
6 made, published, disseminated, circulated,
7 delivered to any person, or placed before the
8 public, any false statement of a material fact as
9 to the financial condition of an insurer; or
10 (B) Knowingly making any false entry of a material
11 fact in any book, report, or statement of any
12 insurer with intent to deceive any agent or
13 examiner lawfully appointed to examine into its
14 condition or into any of its affairs, or any
15 public official to whom the insurer is required
16 by law to report, or who has authority by law to
17 examine into its condition or into any of its
18 affairs, or, with like intent, knowingly omitting
19 to make a true entry of any material fact
20 pertaining to the business of the insurer in any
21 book, report, or statement of the insurer;



- 1 (6) Stock operations and advisory board contracts.
2 Issuing or delivering or permitting agents, officers,
3 or employees to issue or deliver, agency company stock
4 or other capital stock, or benefit certificates or
5 shares in any common-law corporation, or securities or
6 any special or advisory board contracts or other
7 contracts of any kind promising returns and profits as
8 an inducement to insurance;
- 9 (7) Unfair discrimination.
 - 10 (A) Making or permitting any unfair discrimination
11 between individuals of the same class and equal
12 expectation of life in the rates charged for any
13 policy of life insurance or annuity contract or
14 in the dividends or other benefits payable
15 thereon, or in any other of the terms and
16 conditions of the contract;
 - 17 (B) Making or permitting any unfair discrimination in
18 favor of particular individuals or persons, or
19 between insureds or subjects of insurance having
20 substantially like insuring, risk, and exposure
21 factors, or expense elements, in the terms or



1 conditions of any insurance contract, or in the
2 rate or amount of premium charge therefor, or in
3 the benefits payable or in any other rights or
4 privilege accruing thereunder;

5 (C) Making or permitting any unfair discrimination
6 between individuals or risks of the same class
7 and of essentially the same hazards by refusing
8 to issue, refusing to renew, canceling, or
9 limiting the amount of insurance coverage on a
10 property or casualty risk because of the
11 geographic location of the risk, unless:

12 (i) The refusal, cancellation, or limitation is
13 for a business purpose which is not a mere
14 pretext for unfair discrimination; or
15 (ii) The refusal, cancellation, or limitation is
16 required by law or regulatory mandate;

17 (D) Making or permitting any unfair discrimination
18 between individuals or risks of the same class
19 and of essentially the same hazards by refusing
20 to issue, refusing to renew, canceling, or
21 limiting the amount of insurance coverage on a



residential property risk, or the personal property contained therein, because of the age of the residential property, unless:

- (i) The refusal, cancellation, or limitation is for a business purpose [which] that is not a mere pretext for unfair discrimination; or
- (ii) The refusal, cancellation, or limitation is required by law or regulatory mandate;

(E) Refusing to insure, refusing to continue to insure, or limiting the amount of coverage available to an individual because of the sex or marital status of the individual; however, nothing in this subsection shall prohibit an insurer from taking marital status into account for the purpose of defining persons eligible for dependent benefits;

(F) Terminating or modifying coverage, or refusing to issue or renew any property or casualty policy or contract of insurance solely because the applicant or insured or any employee of either is mentally or physically impaired; provided that



8 (G) Refusing to insure, refusing to continue to
9 insure, or limiting the amount of coverage
10 available to an individual based solely upon the
11 individual's having taken a human
12 immunodeficiency virus (HIV) test prior to
13 applying for insurance; or

14 (H) Refusing to insure, refusing to continue to
15 insure, or limiting the amount of coverage
16 available to an individual because the individual
17 refuses to consent to the release of information
18 [which] that is confidential as provided in
19 section 325-101; provided that nothing in this
20 subparagraph shall prohibit an insurer from
21 obtaining and using the results of a test



1 satisfying the requirements of the commissioner,
2 [which] that was taken with the consent of an
3 applicant for insurance; provided further that
4 any applicant for insurance who is tested for HIV
5 infection shall be afforded the opportunity to
6 obtain the test results, within a reasonable time
7 after being tested, and that the confidentiality
8 of the test results shall be maintained as
9 provided by section 325-101;

10 (8) Rebates. Except as otherwise expressly provided by
11 law:

12 (A) Knowingly permitting or offering to make or
13 making any contract of insurance, or agreement as
14 to the contract other than as plainly expressed
15 in the contract, or paying or allowing, or giving
16 or offering to pay, allow, or give, directly or
17 indirectly, as inducement to the insurance, any
18 rebate of premiums payable on the contract, or
19 any special favor or advantage in the dividends
20 or other benefits, or any valuable consideration
21 or inducement not specified in the contract; or



1 (B) Giving, selling, or purchasing, or offering to
2 give, sell, or purchase as inducement to the
3 insurance or in connection therewith, any stocks,
4 bonds, or other securities of any insurance
5 company or other corporation, association, or
6 partnership, or any dividends or profits accrued
7 thereon, or anything of value not specified in
8 the contract;

9 (9) Nothing in paragraph (7) or (8) shall be construed as
10 including within the definition of discrimination or
11 rebates any of the following practices:

12 (A) In the case of any life insurance policy or
13 annuity contract, paying bonuses to policyholders
14 or otherwise abating their premiums in whole or
15 in part out of surplus accumulated from
16 nonparticipating insurance; provided that any
17 bonus or abatement of premiums shall be fair and
18 equitable to policyholders and in the best
19 interests of the insurer and its policyholders;

20 (B) In the case of life insurance policies issued on
21 the industrial debit plan, making allowance to



1 policyholders who have continuously for a
2 specified period made premium payments directly
3 to an office of the insurer in an amount [which]
4 that fairly represents the saving in collection
5 expense;

6 (C) [Readjustment of] Readjusting the rate of premium
7 for a group insurance policy based on the loss or
8 expense experience thereunder, at the end of the
9 first or any subsequent policy year of insurance
10 thereunder, which may be made retroactive only
11 for the policy year;

12 (D) In the case of any contract of insurance, [the
13 distribution of] distributing savings, earnings,
14 or surplus equitably among a class of
15 policyholders, all in accordance with this
16 article; and

17 (E) [A] Offering a reward under a wellness program
18 established under a health care plan that favors
19 an individual if the wellness program meets the
20 following requirements:





1 (10) Refusing to provide or limiting coverage available to
2 an individual because the individual may have a
3 third-party claim for recovery of damages; provided
4 that:

5 (A) Where damages are recovered by judgment or
6 settlement of a third-party claim, reimbursement
7 of past benefits paid shall be allowed pursuant
8 to section 663-10:

9 (B) This paragraph shall not apply to entities
10 licensed under chapter 386 or 431:10C; and

11 (C) For entities licensed under chapter 432 or 432D:

12 (i) It shall not be a violation of this section
13 to refuse to provide or limit coverage
14 available to an individual because the
15 entity determines that the individual
16 reasonably appears to have coverage
17 available under chapter 386 or 431:10C; and
18 (ii) Payment of claims to an individual who may
19 have a third-party claim for recovery of
20 damages may be conditioned upon the
21 individual first signing and submitting to



1 the entity documents to secure the lien and
2 reimbursement rights of the entity and
3 providing information reasonably related to
4 the entity's investigation of its liability
5 for coverage.

6 Any individual who knows or reasonably should
7 know that the individual may have a third-party
8 claim for recovery of damages and who fails to
9 provide timely notice of the potential claim to
10 the entity, shall be deemed to have waived the
11 prohibition of this paragraph against refusal or
12 limitation of coverage. "Third-party claim" for
13 purposes of this paragraph means any tort claim
14 for monetary recovery or damages that the
15 individual has against any person, entity, or
16 insurer, other than the entity licensed under
17 chapter 432 or 432D;

18 (11) Unfair claim settlement practices. Committing or
19 performing with such frequency as to indicate a
20 general business practice any of the following:



1 (A) Misrepresenting pertinent facts or insurance
2 policy provisions relating to coverages at issue;

3 (B) With respect to claims arising under its
4 policies, failing to respond with reasonable
5 promptness, in no case more than fifteen working
6 days, to communications received from:
7 (i) The insurer's policyholder;
8 (ii) Any other persons, including the
9 commissioner; or
10 (iii) The insurer of a person involved in an
11 incident in which the insurer's policyholder
12 is also involved.

13 The response shall be more than an acknowledgment
14 that such person's communication has been
15 received and shall adequately address the
16 concerns stated in the communication;

17 (C) Failing to adopt and implement reasonable
18 standards for the prompt investigation of claims
19 arising under insurance policies;



- (D) Refusing to pay claims without conducting a reasonable investigation based upon all available information;
- (E) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;
- (F) Failing to offer payment within thirty calendar days of affirmation of liability, if the amount of the claim has been determined and is not in dispute;
- (G) Failing to provide the insured, or when applicable the insured's beneficiary, with a reasonable written explanation for any delay, on every claim remaining unresolved for thirty calendar days from the date it was reported;
- (H) Not attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear;
- (I) Compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts



1 ultimately recovered in actions brought by the
2 insureds;

3 (J) Attempting to settle a claim for less than the
4 amount to which a reasonable person would have
5 believed the person was entitled by reference to
6 written or printed advertising material

7 accompanying or made part of an application;

8 (K) Attempting to settle claims on the basis of an
9 application that was altered without notice,
10 knowledge, or consent of the insured;

11 (L) Making claims payments to insureds o

12 beneficiaries not accompanied by a statement
13 setting forth the coverage under which the
14 payments are being made;

15 (M) Making known to insureds or claimants a policy of
16 appealing from arbitration awards in favor of
17 insureds or claimants for the purpose of
18 compelling them to accept settlements or
19 compromises less than the amount awarded in
20 arbitration;



1 (N) Delaying the investigation or payment of claims
2 by requiring an insured, claimant, or the
3 physician or advanced practice registered nurse
4 of either to submit a preliminary claim report
5 and then requiring the subsequent submission of
6 formal proof of loss forms, if both [of which]
7 submissions contain substantially the same
8 information;

9 (O) Failing to promptly settle claims, where
10 liability has become reasonably clear, under one
11 portion of the insurance policy coverage to
12 influence settlements under other portions of the
13 insurance policy coverage;

14 (P) Failing to promptly provide a reasonable
15 explanation of the basis in the insurance policy
16 in relation to the facts or applicable law for
17 denial of a claim or for the offer of a
18 compromise settlement; and

19 (Q) Indicating to the insured on any payment draft,
20 check, or in any accompanying letter that the
21 payment is "final" or is "a release" of any claim



1 if additional benefits relating to the claim are
2 probable under coverages afforded by the policy;
3 unless the policy limit has been paid or there is
4 a bona fide dispute over either the coverage or
5 the amount payable under the policy;

6 (12) Failure to maintain complaint handling procedures.

7 [~~Failure of any insurer~~] Failing to maintain a
8 complete record of all the complaints [~~that it has~~]
9 received since the date of [~~its~~] the last examination
10 under section 431:2-302. This record shall indicate
11 the total number of complaints, their classification
12 by line of insurance, the nature of each complaint,
13 the disposition of the complaints, and the time it
14 took to process each complaint. For purposes of this
15 section, "complaint" means any written communication
16 primarily expressing a grievance;

17 (13) Misrepresentation in insurance applications. Making
18 false or fraudulent statements or representations on
19 or relative to an application for an insurance policy,
20 for the purpose of obtaining a fee, commission, money,



1 or other benefit from any insurer, producer, or
2 individual; [and]

3 (14) Failure to obtain information. [Failure] In the case
4 of any insurance producer, or an insurer where no
5 producer is involved, failing to comply with section
6 431:10D-623(a), (b), or (c) by making reasonable
7 efforts to obtain information about a consumer before
8 making a recommendation to the consumer to purchase or
9 exchange an annuity[-]; and

10 (15) Failure to disclose replacement cost or offer to
11 insure to value. In the case of any homeowners
12 insurer, failing to comply with part of
13 article 10E of chapter 431."

14 SECTION 4. In codifying the new sections added by
15 section 2 of this Act, the revisor of statutes shall substitute
16 appropriate section numbers for the letters used in designating
17 the new sections in this Act.

18 SECTION 5. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.



S.B. NO. 2964

1 SECTION 6. This Act shall take effect upon its approval.

2

INTRODUCED BY: 



S.B. NO. 2964

Report Title:

Homeowners Insurance; Underinsurance; Replacement Cost Value; Mandatory Disclosure; Offer to Insure to Value; Record Keeping

Description:

Requires homeowners insurers to provide policyholders with annual disclosures of replacement cost value and the sufficiency of policyholder's coverage. Requires homeowners insurers to offer annually to policyholders increased coverage if the property is underinsured. Requires homeowners insurers to maintain records of disclosures and offers for 5 years. Provides that failure to comply constitutes an unfair or deceptive act or practice in the business of insurance.

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