

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 insurers should be
2 transparent about a policyholder's coverage and options if the
3 policyholder loses their property in a natural disaster. After
4 catastrophic events like wildfires, hurricanes, tsunamis, and
5 volcanic eruptions, many homeowners experience a total loss of
6 their dwellings and other structures. Despite these losses,
7 insurers often continue to collect premiums as though the
8 destroyed property still existed. This forces homeowners to pay
9 for coverage on structures and contents that are no longer there
10 while also bearing the burden of rebuilding.

11 The legislature believes that the current system for
12 offering property insurance adjustments or refunds following a
13 natural disaster is confusing and reactive. Most states require
14 insurers to refund unearned premiums when a policy is canceled
15 mid-term. However, refunds are generally only issued if the
16 homeowner actively requests the cancellation or an adjustment in
17 coverage. Homeowners may be unaware of their right to cancel or



1 adjust coverage, especially during the chaos following a natural
2 disaster. As a result, insurers may continue to charge full
3 premiums even when there is no dwelling or contents to insure.

4 However, the legislature recognizes that, even after a home
5 is destroyed, policyholders still need to maintain certain
6 coverage, including liability coverage for injuries or incidents
7 occurring on the vacant property and builder's risk coverage
8 once rebuilding begins. Insured property owners should not lose
9 protection while they recover and rebuild simply because their
10 dwelling coverage is no longer active.

11 The legislature believes that a more proactive approach to
12 offering coverage adjustments and premium refunds, as well as
13 clearer communication with policyholders, will promote fairness,
14 transparency, and consumer protection while strengthening
15 Hawaii's resilience after natural disasters

16 Accordingly, the purpose of this Act is to require insurers
17 to:

18 (1) Automatically refund any unearned premium after a
19 policyholder experiences total property loss;
20 (2) Adjust premiums for subsequent policy terms to reflect
21 the absence of a dwelling, structure, or contents; and



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

7 "PART . . . ADJUSTMENTS, NOTICE, AND REFUNDS AFTER TOTAL LOSS

8 **§431:10E-A Definitions.** As used in this part, unless the
9 context otherwise requires:

10 "Builder's risk coverage" means insurance that covers the
11 risks associated with the reconstruction or repair of a dwelling
12 or structure following a total loss.

13 "Insurer" has the same meaning as defined in section
14 431:1-202.

15 "Liability coverage" means coverage for personal liability
16 risks arising from the ownership or occupancy of a property,
17 even in the absence of any dwelling or structures on the
18 property.

19 "Total loss" means that the dwelling or other insured
20 structure on a property has been destroyed to the extent that



1 the dwelling or structure is no longer habitable or usable and
2 must be removed and reconstructed.

3 "Unearned premium" means the portion of the policy premium
4 that is:

5 (1) Attributable to the unexpired term of the policy; and
6 (2) Provides coverage for a dwelling, structure, or other
7 property that has undergone a total loss.

8 **§431:10E-B Total loss; automatic refund of unearned**

9 **premium.** (a) Notwithstanding any other law to the contrary, if
10 a policyholder experiences a total loss, the insurer shall
11 refund any unearned premium to the policyholder on a pro-rata
12 basis. The refund shall be issued within thirty days of the
13 date of the total loss, or the date the insurer confirms the
14 destruction of the property, whichever occurs first.

15 (b) A refund issued pursuant to this section shall be
16 issued automatically and shall not require the policyholder to
17 request a refund or cancel the policy.

18 **§431:10E-C Premium and coverage adjustments for future**

19 **policy terms.** (a) When renewing or continuing a policy after
20 the policyholder experiences a total loss, the insurer shall



1 adjust the policy premium and coverage to reflect the
2 destruction of any dwelling, structure, or contents.

3 (b) The insurer shall make liability coverage available to
4 the policyholder for the entire period between the date of the
5 total loss and the completion of the rebuilding process.

6 (c) Once rebuilding begins, the insurer shall:

7 (1) Offer the policyholder builder's risk coverage, if
8 available; or
9 (2) Inform the policyholder in writing that they should
10 obtain builder's risk coverage from another source.

11 **§431:10E-D Notice to policyholders.** (a) Within thirty
12 days of a total loss, the insurer shall provide the policyholder
13 with a clear, written notice explaining:

14 (1) The policyholder's right to a refund of any unearned
15 premium and confirmation that the refund has been, or
16 will be, issued;
17 (2) The policyholder's right to premium and coverage
18 adjustments for future policy terms;
19 (3) The availability of liability coverage for the vacant
20 property, or the need to obtain this coverage from
21 another source; and



1 (4) The availability of builder's risk coverage once
2 rebuilding begins, or the need to obtain this coverage
3 from another source.

4 (b) The notice shall be written in plain language and
5 delivered to the policyholder by first-class mail or electronic
6 transmission."

7 SECTION 3. This Act does not affect rights and duties that
8 matured, penalties that were incurred, and proceedings that were
9 begun before its effective date.

10 SECTION 4. In codifying the new sections added by section
11 2 of this Act, the revisor of statutes shall substitute
12 appropriate section numbers for the letters used in designating
13 the new sections in this Act.

14 SECTION 5. This Act shall take effect upon its approval,
15 and shall apply to all homeowner's insurance policies issued or
16 renewed on or after its effective date.

17

INTRODUCED BY:



S.B. NO. 2966

Report Title:

Property Insurance; Total Loss; Notice; Adjustment; Refund

Description:

Requires insurers, after a policyholder experiences a total loss, to automatically refund any unearned premium; adjust premiums for subsequent policy terms to reflect the absence of a dwelling, structure, or contents; and provide policyholders with clear notice of the coverage needed for vacant property or while rebuilding.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

