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# 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 the State faces rapidly  
9 escalating rebuilding costs due to its geographic isolation and  
10 reliance on imported materials, high labor costs, limited  
11 workforce availability, and lengthy permitting and rebuilding  
12 timelines. These factors cause replacement costs to rise  
13 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 fully recover following a disaster.

4 The legislature finds that further efforts are necessary to  
5 provide homeowners with opportunities to ensure they have  
6 adequate coverage to fully replace the residence after a loss.  
7 Without these opportunities, homeowners may unknowingly remain  
8 underinsured, post-disaster rebuilding delays may increase, and  
9 nonprofit and government disaster relief efforts may face higher  
10 costs and longer timelines.

11 Accordingly, the purpose of this Act is to:

- 12 (1) Require homeowners insurance producers to notify  
13 policyholders that they may submit information  
14 regarding improvements made to the insured residential  
15 property, which shall then be submitted to the  
16 homeowners insurer;
- 17 (2) Require homeowners insurers to reevaluate the  
18 replacement cost estimate based on the information  
19 submitted by a policyholder, and offer the  
20 policyholder the option to purchase additional



1 coverage to cover the full amount of the replacement  
2 cost estimate; and

3 (3) Establish administrative penalties for violations.

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

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

8 **§431:10E-A Definitions.** As used in this part:

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

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

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

17 "Policyholder" means the person named as the insured under  
18 the homeowners insurance.

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



1           **§431:10E-B Biennial notice requirement.** (a) At least  
2 once every two years, each insurance producer of homeowners  
3 insurance shall provide the policyholder with a written notice  
4 informing the policyholder that the policyholder may submit  
5 information regarding improvements made to the insured  
6 residential property, including the type of improvement and the  
7 costs of that improvement, for purposes of preparing an updated  
8 replacement cost estimate.

9           (b) The notice shall be delivered in paper format;  
10 provided that the insurance producer may allow responses to be  
11 submitted electronically.

12           **§431:10E-C Offer to insure to replacement cost.** (a)  
13 Information regarding improvements made to the insured  
14 residential property received by an insurance producer pursuant  
15 to a notice under section 431:10E-B shall be submitted to the  
16 homeowners insurer.

17           (b) The homeowners insurer shall use the information to  
18 reevaluate the replacement cost for the insured residential  
19 property. If the dwelling coverage limit is less than the  
20 replacement cost, the homeowners insurer shall offer the  
21 policyholder the option to purchase additional coverage under



1 the homeowners insurance to increase the dwelling coverage limit  
2 to equal the replacement cost.

3 (c) The offer shall:

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

5 (2) Remain open for thirty days; and

6 (3) Be renewed annually.

7 **§431:10E-D Administrative penalty.** A person that commits  
8 a violation under this part shall be subject to a fine of \$250  
9 for each violation."

10 SECTION 3. In codifying the new sections added by  
11 section 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 4. This Act shall take effect on January 1, 2027.



**Report Title:**

Homeowners Insurance; Underinsurance; Replacement Cost Value;  
Notice; Offer to Insure to Value; Administrative Penalty

**Description:**

Requires homeowners insurance producers to notify policyholders that they may submit information regarding improvements made to the insured residential property, which shall then be submitted to the homeowners insurer. Requires homeowners insurers to reevaluate the replacement cost estimate based on the information submitted by a policyholder, and offer the policyholder the option to purchase additional coverage to cover the full amount of the replacement cost estimate. Establishes administrative penalties for violations. Effective 1/1/2027.  
(CD1)

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