

Honolulu, Hawaii

, 2026

FEB 20

RE: H.B. No. 20
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 20 entitled:

"A BILL FOR AN ACT RELATING TO LAVA ZONE INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to establish a Lava Zone Subsidy Program funded by a Lava Zone Insurance Fund to provide subsidies for the cost of insurance premiums for certain homeowners in properties in lava zones 1 and 2.

Your Committee received testimony in support of this measure from numerous individuals. Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs; Hawaii Insurers Council; and one individual.

Your Committee finds that homeowner's insurance is becoming increasingly more expensive across the nation as a result of growing losses from disasters. This trend is also true in Hawaii County, where insurance premiums have soared in the last few years for properties located in the two most hazardous lava zones.

However, your Committee further finds that the risk related to these properties is particularly unique. Unlike other types of disasters - such as hurricanes, earthquakes, floods, or wildfires - the risks associated with lava peril cannot be mitigated by



steps initiated by the homeowner. The inability to safeguard the home against lava flows makes it difficult for admitted insurance companies to offer new policies in these zones. As a result, any viable insurance solution must have substantial financial backing to ensure it can provide reliable coverage and the ability to rebuild homes after a loss. Thus, most insurers are unwilling to issue policies at any price, making it difficult to attract private carriers back into these high-risk areas.

To address this issue, the State mandated the creation of the Hawaii Property Insurance Association in 1991 to serve as the insurer of last resort and to insure homes in the lava zones. However, the coverage offered by the Hawaii Property Insurance Association has become so expensive that people in the lava zones are canceling their policies or putting their homes up for sale. This measure provides financial relief to allow people to have homeowner's insurance and remain in their homes.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes the concerns expressed by the Insurance Division in their written testimony regarding the potential effects on actuarial soundness, fiscal sustainability, and the diversion of enforcement revenues away from the Division's core regulatory responsibilities. Your Committee further notes the concerns raised by the Hawaii Insurers Council that subsidizing insurance premiums in lava zones 1 and 2 may encourage habitation in areas of uniquely unmitigable volcanic risk and could increase systemic exposure for the State's property and casualty insurance market. Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to consider how to address these issues.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 20, as amended herein, and recommends that it



pass Second Reading in the form attached hereto as H.B. No. 20,
H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



SCOT Z. MATAYOSHI, Chair



