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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Consumer Protection and Commerce**

Tuesday, March 31, 2026

2:05 p.m.

State Capitol, Conference Room 329 & via Videoconference

On the following measure:

S.B. 2964, S.D. 1, RELATING TO PROPERTY INSURANCE

Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

My name is Scott K. Saiki, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department **offers comments** on this measure.

S.B. 2964, S.D. 1 would require homeowners' insurers to provide annual written replacement cost estimates to policyholders, disclose whether the dwelling coverage limit is sufficient to cover rebuilding costs, annually offer policyholders the option to increase coverage to full replacement cost, and maintain documentation of these disclosures and offer for five years. The bill would also make failure to comply an unfair or deceptive act or practice.

The Department recognizes the challenges that underinsurance can create following catastrophic events and supports efforts to improve consumer awareness and

preparedness. At the same time, the Department's statutory role requires consideration of the potential impacts on insurance affordability, availability, and market stability.

While this measure seeks to address an important issue, the Department respectfully notes that the requirements contemplated by this bill are complex, operationally significant, and may have broader implications for insurer participation, compliance costs, and premium levels. These impacts are particularly important in Hawaii's property insurance market, which already faces capacity and affordability pressures.

Given the scope and potential implication of this measure, the Department respectfully recommends that the Legislature consider converting this bill into a task force to further study the issue of residential underinsurance and replacement cost adequacy.

A task force approach would allow for a more comprehensive evaluation of the following issues:

- Investigate the prevalence and drivers of underinsurance in Hawaii's resident property market;
- Evaluate current industry practices related to replacement cost estimation and consumer disclosures;
- Consider the potential impacts of various regulatory approaches on premiums, insurer participation, and market stability; and
- Identify potential legislative options that balance consumer protection objectives with long-term insurance availability and affordability.

The Department appreciates the Legislature's efforts to address disaster recovery challenges and improve consumer outcomes. A task force would provide a prudent and measured path forward to better understand the issue and develop solutions that are both effective and sustainable within Hawaii's insurance market.

Thank you for the opportunity to testify on this measure.

Hawai'i State Legislature
House Committee on Consumer Protection and Commerce

March 30, 2026

Filed via electronic testimony submission system

RE: SB 2964, Homeowners Insurance; Underinsurance; Replacement Cost Value; Mandatory Disclosure; Offer to Insure to Value; Record Keeping - NAMIC's Testimony in Opposition

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the March 31, 2026, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies - including local and regional insurers as well as some of the nation's largest carriers - NAMIC members collectively write \$467 billion in annual premiums, representing 61% of the homeowners and 53% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.

NAMIC is opposed to SB 2964, because it is unnecessary and rife with legal and public policy problems. First of all, insurance consumers already possess the opportunity and ability to properly protect and insure their most valuable personal assets by annually adjusting their insurance coverage limits at policy renewal time to address their changing replacement cost coverage needs. There is no evidence in the record to support the contention that consumers are physically or intellectually incapable of proactively evaluating their own insurance needs. The simple fact of the matter is that if one is underinsured the likelihood is that they made a conscious decision to save money in premium costs by not purchasing certain insurance coverages and/or higher policy limits. Each person has the right to decide their own risk tolerance and budget constraints, and to rationally decide that the remote probability of a total loss to their home, where their policy limits may not fully compensate them for their loss, doesn't merit the increased insurance costs for the coverage.

Additionally, insurance consumers already have the right to ask their insurance producer at renewal to assist them in re-evaluating their insurance needs. If the consumer wants to review their coverages and insurance policy limits, they need only request this professional service. NAMIC is opposed to SB 2964 because it *mandates what is already available* for consumers interested in annually evaluating their insurance needs. SB 2964 would create a costly new administrative burden and insurance rate cost-driver for insurers and their policyholders. Consumer notices are expensive to

generate and this cost will have to ultimately be passed onto consumers, so this begs the public policy question – why mandate something, at a cost to the consumer, that the consumer can already avail themselves of with a simple request to the insurer? Insurance producers are more than willing to meet with their clients and discuss their insurance needs, and adjust coverages and increase policy limits/insurance premiums.

NAMIC is also concerned that the proposed annual requirement to automatically provide “each policyholder with a written replacement cost estimate ...” could arguably expose insurers to civil liability for their replacement cost estimate and expose insurers to possible regulatory sanctions if the insurer’s estimate is too high (claim that they over-insured and over charged consumer) or too low (underinsured the consumer). Insurers should assist when asked by the consumer, but it is the homeowner’s personal financial responsibility to evaluate safeguarding their assets. Insurers should not be placed in a position of having to create replacement cost estimates that could arguably create a legal duty to the policyholder and potential civil liability for the insurer.

We are also concerned about the overly-prescriptive nature of what the annual replacement cost estimate must entail. For example, the bill states that “[a]ny replacement cost estimate provided under this part shall: (1) Be specific to the insured property ...” What does this specifically require? Does the insurer have to personally evaluate the home in-person and retain subject matter experts to assess unique aspects of the subject property that could require different labor rates, material replacement decisions, etc?

NAMIC is also concerned about the record retention requirement. First, why is retention for 5 years required, not 2 years or 3 years? Second, the provision states “homeowner’s insurers shall maintain documentation that supports each replacement cost estimate and notes the policyholder's decision to accept or decline replacement cost coverage.” [Emphasis added]. What specific documentation supporting the estimate and the policyholder’s acceptance/declination of the offer is required to be kept? What if the policyholder never responds to the insurer’s offer?

Finally, NAMIC is concerned with the provision in the bill that makes a violation of SB 2964 an unfair or deceptive act or practice in the business of insurance. This punitive provision is unnecessary and excessive, and likely to lead to the filing of frivolous lawsuit against insurers which is an insurance rate cost-driver.

For the aforementioned reasons, **NAMIC respectfully requests your NO VOTE on SB 2964 – insurance consumers should be treated like responsible adults who can take care of evaluating their own insurance needs without having to pay for consumer notices and replacement cost estimates from insurers they may now want or need.**

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian John Rataj". The signature is fluid and cursive, with a prominent initial "C".

Christian John Rataj, Esq.
NAMIC Senior Regional Vice President
State Government Affairs, Western Region

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Scot Z. Matayoshi, Chair
Representative Tina Nakada Grandinetti, Vice Chair

Tuesday, March 31, 2026
2:05 p.m.

SB 2964, SD1

Chair Matayoshi, Vice Chair Grandinetti, and members of the Committee on Consumer Protection & Commerce, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Chief Actuary & Chief Risk Officer for Island Insurance, Board Chair and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council (HIC) submits **comments** on this bill. SB 2964, SD1 requires an insurer to annually provide the policyholder with a written estimate that is specific to the insured property. The bill requires insurers to conduct a detailed replacement cost estimate for each and every one of the thousands of homes they insure and would dramatically increase the cost of homeowners insurance in Hawaii. While the offer is required of insurers, the homeowner is not required to purchase it. The high cost of preparing the offers will be spread among all policyholders but the benefits hoped for by the proponents of this bill may not occur.

Although the provisions in this bill are onerous to insurers, it clearly points to a need for homeowners, insurance agents, and insurance companies to work more closely to ensure an understanding of property insurance coverage needs, unanticipated catastrophes, and the cost to rebuild at replacement cost for different types of losses.

There are many complex issues involved in attempting to close a potential gap between insured coverage and actual costs to repair or rebuild a home, especially after a catastrophic event where rebuilding takes years rather than months. The risk for unintended consequences is high as a result of mandated provisions on insurers and could have long-lasting and devastating results in Hawaii.

Therefore, HIC respectfully requests that in lieu of this bill a Task Force be formed in the Legislative interim to fully explore all the aspects of this issue including how property insurance coverage for homeowners is quoted, what happens if the homeowner declines to pay for the recommended coverage, how insurance companies use inflation guard provisions in policies, pricing issues due to demand surge and other factors after a catastrophic loss, and situations where replacement cost coverage will not be adequate at the time of re-build even if it was adequate at the time of policy purchase.

HIC is interested in a stable environment for which insurers can operate while offering needed coverage to Hawaii's consumers. We believe a comprehensive approach to this important issue will help Hawaii move forward in a changing climate environment where the insurance industry is stabilized and consumers can protect their homes.

Thank you for the opportunity to testify.

March 30, 2026

Representative Scot Matayoshi, Chair
Representative Tina Grandinetti, Vice-Chair
Members of the House Consumer Protection and Commerce

Re: Senate Bill (SB) 2964, Senate Draft (SD) 1, Relating to Property Insurance
Testimony **With Comments**

Dear Chair, Vice-Chair and Members of the Committee:

State Farm acknowledges the intent of this bill the desire for consumers to have updated valuations on their property in the unfortunate event that there is a need for replacement costs. However, SB2964 raises several concerns.

First, it is important to recognize that the customer selects the coverage limits. This is based on their own assessment and decisions. State Farm is concerned this bill may cause a policyholder to view a replacement cost estimate as a guarantee of coverage above the limits selected by the customer.

Second, the replacement cost is likely in flux after a natural disaster because of demand surges, contractor availability, code enforcement, supply chain issues, site conditions, and scope differences that cannot be fully known when the application is taken and/or the policy is renewed.

Third, policies include coverage for inflation and code upgrades that the policyholder can select, which would potentially mitigate some of need for annual valuations.

Fourth, insurers rely on information from the policyholder to determine the condition of the property. If the customer does not provide the insurer with information about an upgrade or change, there would be no basis to include this in the valuation.

Ultimately, our concern is that these annual valuations would provide a consumer with a false sense of security – that they are completely covered when there are multiple factors and circumstances which could impact the value at the time any replacement costs are needed. There would also be huge burden placed on appraisers or property assessors because the bill requires estimates for labor, materials, profit, demolition and removal, architect and engineering fees, permitting fees and inspections. These are extremely difficult estimates to obtain for each property and is extremely burdensome.

Instead, we would recommend that this committee look to other jurisdictions which have developed a much less onerous approach. For example, in Oregon insurers required to

provide an insured *an opportunity* to obtain a new estimate of the cost necessary to rebuild or replace the covered property *every other year*. (See ORS 742.276).

Thank you for the opportunity to testify and for your consideration of our proposed alternative approach.



To: The Honorable Scot Z. Matayoshi, Chair
The Honorable Tina Nakada Grandinetti, Vice Chair
House Committee on Consumer Protection and Commerce

From: Mark Sektnan, Vice President

Re: **SB 2964 SD1 – Relating to Property Insurance**
APCIA Position: Oppose

Date: Tuesday, March 31, 2026
2:05 p.m., Room 329

Aloha Chair Matayoshi, Vice Chair Grandinetti and Members of the Committee:

The American Property Casualty Insurance Association (APCIA) is **opposed to SB 2964 SD1** which would require insurers to provide policyholders with an annual, property-specific replacement cost estimate. The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

This bill would impose extraordinary operational and financial burdens on insurers and would have the unintended consequence of making homeowners insurance less affordable and less available in Hawai‘i.

1. The bill imposes a costly, technical process that must be repeated every year.

To produce a replacement cost estimate “specific to the insured property,” insurers would need to conduct thousands of individualized home inspections annually—interior and exterior—to ensure accuracy. This would also require insurers to:

- Expand underwriting staff with specialized expertise in construction cost analysis;
- Retain demolition, debris removal, engineering, and architectural professionals; and
- Update localized labor and materials databases annually for every insured home.

Requiring this level of analysis even once would significantly increase costs. Mandating it every year would multiply those costs many times over, dramatically increasing premiums for consumers.

2. The bill requires insurers to absorb these costs without any guarantee of corresponding premiums.

SB 2964 SD1 does not require a policyholder to accept the insurer's replacement cost estimate or to purchase a dwelling limit equal to that estimate. Insurers would therefore be compelled to incur substantial new expenses with no assurance that a single additional dollar of premium would be collected. Policyholders could also request quotes from multiple insurers, effectively requiring several companies to perform expensive, duplicative property-specific analyses for the same home—further straining an already limited admitted market.

3. The proposal threatens to destabilize Hawai'i's fragile homeowner's insurance market.

Hawai'i's regulated property insurance market is small, with limited competition. Additional regulatory requirements of this magnitude risk:

- Driving existing licensed insurers out of the market;
- Discouraging new insurers from entering; and
- Forcing homeowners into the excess and surplus market, where coverage is unregulated and significantly more expensive.

Recent experiences with condominium insurance demonstrate the consequences: when the admitted market contracts, prices in the surplus lines market can escalate sharply, leaving consumers with few or unaffordable options.

4. The annual offer requirement is incompatible with Hawai'i's regulated ratemaking process.

Insurers must obtain regulatory approval for any rate adjustments needed to reflect increased costs. Because the approval timeline is not within an insurer's control, an insurer may be unable to obtain necessary rate changes before the bill's mandated annual offer. This could force insurers to offer policies at inadequate rates—a direct threat to solvency.

5. Insurers must offer policyholders increased coverage if the property is underinsured

This provision basically requires insurers to offer a guaranteed replacement policy which is not found in the current market. Colorado Commissioner Michael Conway

said his state considered a similar measure but decided “it would destroy our market.” Most big insurers don’t even write guaranteed replacement cost policies anymore, he said, and aren’t interested in doing so, at least for Colorado customers.

He also thinks it wouldn’t solve the problem, given the insurance affordability crisis. “If people can’t afford the products on the market now, forcing more expensive products isn’t going to help,” he said.

Driven by a combination of inflation, increased development, disasters juiced by climate change and tariffs, home insurance prices have been soaring around the US. Conway says he receives steady complaints from homeowners telling him they have to either cut back on what is covered or agree to a higher deductible to afford insurance. Getting a policy with more coverage — the full amount needed to rebuild — would only add to their costs.

6. Policyholders are best positioned to determine appropriate coverage levels.

Homeowners, who pay the premiums, are in the best position to determine appropriate coverage levels. Homeowners already have the tools—and the support of licensed agents—to determine appropriate replacement cost values. Most insurers provide user-friendly replacement cost estimator forms that policyholders can complete in consultation with their agents. This approach is practical, efficient, and avoids imposing extensive new operational costs that will ultimately be passed on to consumers.

For these above reasons, APCIA asks the committee to hold this bill in committee.



LATE

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February 23, 2026

House Committee on Consumer Protection and Commerce
The Honorable Scot Z. Matayoshi, Chair
The Honorable Senator Tina Nakada Grandinetti, Vice Chair

Submitted via Hawai'i State Legislative Portal

RE: Strong Support for SB 2961 – Homeowners Insurance; Additional Living Expenses; ALE Benefits; Purchase or Lease of Temporary Primary Residence; Advance Payments; Extended Coverage

Dear Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

On behalf of United Policyholders¹ (“UP”), I write in strong support of SB 2964. This measure takes important steps to reduce underinsurance and improve transparency around replacement cost coverage so that Hawai'i homeowners are better positioned to fully rebuild after catastrophic losses.

As the Legislature has recognized, widespread underinsurance slows disaster recovery and can leave families unable to rebuild after a major loss. Many homeowners only learn that their coverage is insufficient after a catastrophe occurs. SB 2964 addresses this problem by requiring insurers to provide policyholders with regular, property-specific replacement cost disclosures and to inform them whether their dwelling coverage is sufficient to rebuild. It also requires insurers to offer policyholders the opportunity to increase coverage to match replacement cost when coverage falls short.

The bill requires annual replacement cost estimates based on current local labor and

¹ United Policyholders is a national nonprofit that has advocated for insurance consumers for more than 30 years. Recently in Hawai'i, UP has been actively supporting residents in the aftermath of the 2023 Maui wildfires through our Roadmap to Recovery[®] program, public workshops, and in-person assistance for survivors navigating insurance claims and rebuilding challenges. Our staff and volunteers—including Maui-based partners—have provided free guidance, educational resources, and advocacy to help homeowners understand coverage, secure benefits, and resolve disputes with insurers. We have also filed amicus briefs in Hawai'i courts and engaged with policymakers to strengthen consumer protections and improve disaster-recovery outcomes for residents across the state.



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material costs and mandates that insurers clearly disclose whether policy limits are adequate to cover rebuilding. It further ensures that policyholders are given a meaningful opportunity to purchase increased coverage when they are underinsured and requires insurers to maintain records of these disclosures and offers. These provisions promote informed decision-making and help ensure that homeowners understand their coverage levels before a disaster occurs.

We respectfully urge your support for SB 2964. Thank you for your leadership on this important issue and for your continued work to protect Hawai'i homeowners and strengthen community resilience across the state..

Sincerely,

A handwritten signature in cursive script that reads "Amy Bach".

Amy Bach, Executive
Director United
Policyholders

A large, bold, red stamp with the word "LATE" in all caps, enclosed within a thick red rectangular border.

SB-2964-SD-1

Submitted on: 3/28/2026 8:05:01 AM

Testimony for CPC on 3/31/2026 2:05:00 PM

Submitted By	Organization	Testifier Position	Testify
Johnnie-Mae L. Perry	Individual	Support	Written Testimony Only

Comments:

I, Johnnie-Mae L. Perry, Support

2964 SB RELATING TO PROPERTY INSURANCE.

LATE

SB-2964-SD-1

Submitted on: 3/31/2026 9:49:05 AM

Testimony for CPC on 3/31/2026 2:05:00 PM

Submitted By	Organization	Testifier Position	Testify
Christine L. Andrews, J.D.	Individual	Support	Written Testimony Only

Comments:

As a homeowner and a resident of Maui, where many of my neighbors and friends have been impacted by the 2023 Wildfires and now the kona low storms, I respectfully request your support of this measure.

Mahalo.