

Insurance Reform in Hawaii

This blog was written by Sherry Peterson, UP's Roadmap to Recovery Liaison on Maui

I began working with United Policyholders in March 2024 as the Roadmap to Recovery (R2R) Liaison and an Equal Justice Fellow. My work focused on helping Maui wildfire survivors navigate insurance claims and recover after catastrophic loss. As I worked directly with policyholders, clear patterns began to emerge. The problems families faced were not isolated or accidental — they were systemic. Over and over, I saw the same obstacles:

- Additional Living Expense (loss of use) benefits that ran out after only one or two years, even though rebuilding in Hawai'i often takes far longer
- Unrealistic deadlines to collect full replacement cost benefits
- Requirements that survivors prepare detailed inventories of everything they lost after their homes were reduced to ash
- Insurance companies continuing to charge premiums for homes and personal property that no longer existed
- Nearly every homeowner being significantly underinsured
- Insurance proceeds being sent to mortgage companies that did not place the funds in interest-bearing accounts for the homeowner's benefit
- Families wanting to rebuild outside the burn zone but being blocked by insurance rules

What became clear was that these were not uniquely Maui problems. These were known disaster-recovery failures that other states had already begun addressing.

Through my work with United Policyholders, I was able to study insurance reforms United Policyholders helped adopt in California, Oregon, and Colorado.

Those states passed laws to address exactly the issues Maui survivors were facing: underinsurance, rebuilding delays, inadequate housing benefits, and inflexible insurance rules that trapped families in

limbo.

Stronger insurance laws:

- Help families rebuild in their own communities
- Reduce displacement and housing instability
- Lower the need for nonprofits and government to fill financial gaps
- Speed disaster recovery
- Increase long-term resilience

When homeowners buy insurance, there is a basic expectation: If your home is destroyed, your insurance will pay enough to rebuild it and replace what was lost. For many Maui wildfire survivors, that is not what happened.

In 2025, I approached Senator McKelvey and Representative Cochran with a proposed insurance reform package to improve disaster recovery and resilience in Hawai'i. Those bills died in the Ways and Means and Judiciary Committees without hearings. Undeterred, I developed a more comprehensive package — drafting legislative intent language, the bills themselves, and compiling examples of similar laws from California, Oregon, and Colorado. I again contacted Senator McKelvey, who has demonstrated a strong commitment to Hawai'i's future by supporting legislation that will make recovery easier for disaster survivors and reduce the risk of widespread underinsurance.

As a result of his sponsorship, a package of disaster insurance reform bills has now been introduced, passed first reading, and will soon be scheduled for hearings. Together, these bills modernize Hawai'i's insurance laws for the realities of disaster recovery.

Summary of the Hawaii Disaster Insurance Reform Bills

SB 2951 Mortgage Insurance Proceeds Transparency & Disbursement Bill

Goal: Match insurance timelines to Hawai'i's real-world rebuilding delays. This bill sets clear rules for how mortgage servicers must release insurance money after a home is damaged or destroyed. It requires transparency, timely payments, and fair disbursement schedules based on whether the borrower is current or delinquent on their mortgage, and ensures funds are held in interest-bearing accounts if not immediately paid out.

SB 2960 Extended Replacement Cost Recovery Timeline Bill

Goal: Match insurance timelines to Hawai‘i’s real-world rebuilding delays. This bill extends the time homeowners have to collect full replacement-cost insurance benefits after a declared disaster. It gives policyholders at least 36 months to rebuild, allows six-month extensions for delays beyond their control (up to five years total), and provides one year after rebuilding to claim personal property benefits. Insurers must also clearly disclose these deadlines and extension rights.

SB 2961 Additional Living Expense (ALE) Flexibility & Duration Bill

Goal: Keep families housed near their communities while they rebuild. This bill strengthens homeowners’ Additional Living Expense (loss of use) protections after a declared disaster. It allows insurance benefits to be used to buy or lease temporary housing (such as an RV or manufactured home), requires insurers to make advance ALE payments within seven days after a total loss, and guarantees at least 36 months of ALE coverage, with extensions when rebuilding is delayed by factors beyond the homeowner’s control.

SB 2962 Rebuild or Replace at a New Location Bill

Goal: Help families secure safe, stable housing when rebuilding on the original site is unsafe or impractical. This bill gives disaster survivors more flexibility in how they use their homeowners insurance to recover. It allows policyholders to rebuild or buy a home at a different location without losing replacement-cost benefits and permits them to combine dwelling and other-structure coverage limits to close funding gaps — while keeping insurer liability capped at existing policy limits. Insurers must also notify homeowners of these rights after a declared disaster.

SB 2963 Automatic Personal Property (Contents) Payment Bill

Goal: Reduce trauma, eliminate paperwork barriers, and speed recovery when families lose everything.

This bill requires insurers to automatically pay the full personal property (contents) coverage after a total loss in a declared disaster — without forcing survivors to itemize everything they lost. It mandates payment of 100% of contents coverage within 60 days, prohibits insurers from requiring detailed inventories, and requires clear notice to policyholders of this right.

SB 2964 Replacement Cost Disclosure & Insurance-to-Value Bill

Goal: Prevent families from discovering they are underinsured only after disaster strikes. This bill tackles

underinsurance by requiring insurers to give homeowners clear, annual rebuilding cost estimates and offer full replacement-cost coverage when limits are too low. Insurers must provide property-specific, up-to-date replacement cost disclosures at renewal and give homeowners the option to increase coverage to match real rebuilding costs. Failure to comply is treated as an unfair insurance practice.

SB 2965 Non-Renewal Notice & Right to Cure Bill

Goal: Prevent unnecessary loss of coverage and stabilize the insurance market. This bill protects homeowners from sudden insurance non-renewals. It requires insurers to give at least 60 days' notice, explain the specific reasons for non-renewal, and provide a chance to fix correctable issues (such as repairs or missing documentation) before coverage ends. If the homeowner corrects the issue, the insurer must renew the policy.

SB 2966 Unearned Premium Refund & Coverage Adjustment Bill

Goal: Prevent disaster survivors from paying for insurance on destroyed property while ensuring they remain properly insured during reconstruction. This bill stops insurers from charging homeowners for coverage on homes that no longer exist after a total loss. It requires insurers to automatically refund unearned premiums, adjust future premiums to reflect the absence of a dwelling or contents, and clearly notify policyholders about needed coverage for vacant land and rebuilding (liability and builder's risk).

These stronger insurance laws mean: families can rebuild in their communities; fewer people are forced into long-term displacement; less reliance on nonprofits and government aid; faster economic recovery; and greater resilience for future disasters

These bills do not create new insurer liability. They modernize how existing insurance benefits can be used and ensure that policies function as homeowners reasonably expect them to after catastrophic loss.