

[Legislature considers bills to address home insurance issues following disasters](#)

Hawaii Public Radio

Bhejay Yadao's family had just finished converting their garage in their Lahaina home to a one-bedroom unit for their elderly grandparents. His family had used their savings to complete the project on Aug. 6, 2023.

"They spent the night and the day just enjoying their bedroom. And then on August 8th, the fire happened and wiped out everything," he said.

Yadao's family is one of many who saw their homes destroyed in the 2023 Maui wildfires. And what they found is that they were underinsured — meaning the amount they would receive from their home insurance policy was going to be significantly less than what it would cost to rebuild.

"We didn't know that was the thing," he said. "We always thought that insurance would help us in a worst-case scenario."

Yadao's family isn't alone. Lahaina Community Land Trust has been acting as a bridge, finding funding for impacted families, many who are underinsured, so they can rebuild their homes. The organization's executive director Autumn Ness explained that many people were under the impression that they had an appropriate level of insurance.

"When their house burned down and the insurance company decided how much they get, what the value may be of their home was is one thing, and then what it's gonna cost to rebuild in a post-fire Lahaina, where everybody else is rebuilding with the high cost of everything right now, just don't match," she said.

United Policy Holders is a nonprofit that educates consumers on insurance policies. Their equal justice fellow, Sherry Peterson, is advocating for a measure that would have required insurers to annually give homeowners a replacement cost estimate and clearly state if the current policy is adequate.

“That bill doesn’t require them to provide the additional insurance,” she said.

“It’s just that they have to let the homeowner know we believe you’re underinsured. We believe that you’re, it would cost a hundred thousand dollars more to replace your house, and if we add a hundred thousand dollars to the coverage that you already have, this is how much more it will be,” Peterson said.

The measure that passed out of the House has been significantly watered down, but Peterson hopes it will be renegotiated in conference committee when lawmakers from both chambers negotiate the final bill.

Mike Onofrietti with the Hawai’i Insurers Council pushed back against Senate Bill 2964. He told lawmakers that they should instead make a task force to further study the issue.

“This bill really emanated from issues in Lahaina, and the biggest challenge there is that even if the replacement cost was exactly right on the policy was issued before the fire, by the time the rebuild occurs, it’s going to be woefully inadequate,” he said.

“If you are trying to rebuild hundreds or thousands of homes at the same time, you’ll have demand surge because you won’t have enough contractors, you won’t have enough building materials,” Onofrietti said.

Peterson explained that these insurance policies are not written taking significant natural disasters like what happened in Maui into account. She added that laws regulating insurers in Hawai’i have not been significantly overhauled in decades.

“There had been no major changes,” she said. “It was just a very basic insurance policy, and it did not provide for any of these contingencies that we’re we’ve seen in other disasters and that we’re seeing here.”

Another issue Peterson came across while working with Lahaina residents trying to rebuild after the fires is that some were beginning to hit a two-year deadline to get what’s called “replacement cost value.” To

get that, homeowners usually need to first replace the items that they are claiming and then submit the documentation to the insurer which will then pay the replacement costs.

But at least one insurer gave homeowners a two-year deadline to submit that paperwork and in Maui, where resources for rebuilding are spread so thin, people are having trouble securing the needed documentation before the insurer deadline.

“It is written into the contract of at least one insurance carrier that I’m familiar with, other insurance carriers are now contacting policyholders and telling them that they’re closing their claim or they’re putting it on hold and people are freaking out,” Peterson said. She did note that insurers have given some policyholders extensions due to these circumstances.

There’s a bill that aims to address that issue that would set a minimum time frame that insurers have to allow for the replacement cost value documentation if there is a declared disaster or emergency. The current version of SB 2960 sets the time frame at 24 months, but Peterson is advocating for what was originally written in the bill — 36 months.

“They have not taken into consideration the unique circumstances that Maui and the other islands encounter and will encounter in the future should another disaster occur,” she said. “We’ve just seen Kona 1 and Kona 2 and are beginning to start comprehending the effects of that on top of what happened in Lahaina and Kula.”

That’s why Sen. Angus McKelvey of Maui, who introduced the measures, said that these types of protections for consumers can’t wait — especially as natural disasters continue to occur.

“Hindsight being 2020 now, a lot of the flood survivors are going to be going through the very same things that Lahaina people did that these bills seek to address,” he said. “So the timeliness of it, I think, can be underscored by this most recent disaster.”

Insurers and the state’s Department of Commerce and Consumer Affairs Insurance Division pushed back against mandating a minimum time frame for replacement cost value distribution during a declared emergency.

Onofrietti warned lawmakers about new laws that would push insurers to leave the state.

“We’re a very small market and if you look at homeowners insurance, 65% of the premium is written by the five largest company companies, 86% of the premium by the 10 largest companies,” he said. “We lose one large company. We have a problem. There’s not enough capacity to write everything else.”

However, McKelvey rejected the argument, pointing to other states like Oregon and California that have enacted similar measures mandating the 24-month minimum.

“I would call that a red herring argument. These are modeled after laws in other states. Insurance rates had skyrocketed in those states before these consumer laws were passed in these other states. They didn’t leave the other states,” he said.

“Will there be a cost to it? Yes, but a slight cost, but the gain both to government and the public is huge,” McKelvey said. “And so ... I appreciate the amendments being made because it puts us in conformity with other states. So if they pull out of Hawai’i, then why are you pulling out of here and not these other states?”

Both measures are awaiting a conference committee hearing where lawmakers will negotiate a final bill.

As for Yadao’s family, they were able to rebuild their home through the support of community organizations like Lahaina Community Land Trust. They moved in last month.

“You finally get to come home, you finally get to rest. You finally get that piece of comfort and stability,” Yadao said. “You couldn’t really have that when you were in the process of like trying to call your insurance, trying to call your mortgage, trying to call everybody just to get an update on like what’s going on.”