

Will Disaster Insurance Overhaul Increase Protections For Future Survivors?

Honolulu Civil Beat

Hawai'i consumers would have additional protections folded into their insurance coverage after a disaster declaration if a bundle of new Senate bills introduced this session are codified into law.

While the reforms would not provide immediate help to policyholders still navigating the labyrinth of insurance claims following the Maui wildfires, they would ensure that homeowners are in a better position to rebuild in future disasters, according to its authors who include Maui Sen. Angus McKelvey, who lost his own home in Lahaina.

The proposed changes would bring the state's laws closer in line with reforms already adopted in states such as Oregon, California and Colorado. Similar changes also are being considered by other locales hit by natural disasters, according to McKelvey.

The disaster in Maui that killed at least 102 people and destroyed 2,200 buildings in August 2023 triggered a crisis in the state's insurance industry, as most policyholders quickly discovered their policies would not cover the full costs of rebuilding.

Many survivors immediately faced paying a mortgage and insurance premiums on a house that no longer existed while also covering the costs of a temporary home with money from policy benefits that quickly dwindled, leading some to fear foreclosure.

Senate Bill 2961 would require insurance companies to make living expenses or loss of use funds available within seven days of a total loss and guarantee at least three years of coverage.

"When you have a catastrophic disaster, compounded by our housing situation in Hawai'i, 24 months of additional living expenses is not enough," said Sherry Peterson of the nonprofit United Policyholders.

Peterson drafted early versions of the legislation based on her experience counseling Maui policyholders who faced deadlines in their policies, including one last July to file claims or risk missing out on benefits for personal belongings burned in the fires.

That led then insurance commissioner, Gordon Ito, to issue a memo asking providers to offer an extension. Some companies did, but it was voluntary because no law required them to.

"I quickly realized this was a systemic issue within the insurance industry, and the only way to deal with it is through legislation and policy reform," Peterson said.

The cost of the total property losses from the fires were estimated at \$1.614 billion as of June 30 and payouts so far have totaled nearly \$1.458 billion — a gap of \$156 million.

Peterson estimated that virtually all of the policyholders she dealt with on Maui were underinsured. And the most recent data from the Hawai'i Insurance Division shows many people are still trying to bridge coverage gaps as they rebuild.

SB 2964 would require insurance providers to provide a clear current rebuilding cost estimate annually and offer options so homeowners can keep replacement coverage up to date.

The Option To Move Away

The eight bills proposed by McKelvey and 10 other senators would also extend the time homeowners have to gather up replacement costs after a disaster declaration, reflecting the reality of construction delays and acquiring materials in Hawai'i, and the complex cleanup issues after a disaster.

"It took a year to make most home sites in Lahaina safe enough to build on," McKelvey said.

SB 2966 would prevent insurers from requiring premiums to continue to be paid on destroyed properties, and allow policyholders to use the additional living expense money to purchase a mobile or temporary home to place on their home site.

Not all the bills are geared toward helping people return to their homes sooner. Senate Bill 2962 would also allow policyholders to rebuild or buy a home at a different location altogether, or elsewhere within

the fire zone.

“That would be huge,” said Juliet DiGiovanni, who lost her home and contents on Komo Mai Street in Lahaina in the 2023 wildfires.

“Once the house was built, I would have sold it and not have come back to a fire zone if I could,” she said, speaking from the rebuilt home she and her husband moved into in September after two years living in Wailuku.

She said that returning residents, including her, remain anxious about the possibility of fire, environmental issues and the ongoing construction. And there are other reasons why people may not be able to return.

“Even if you rebuild, there’s still no work here, and the commercial district is never going to come back because they’re still arguing over Front Street,” DiGiovanni said.

The landscaping of their yard finally started last week, but the couple hasn’t received their payout for property loss. All the work has to be completed before her insurer will pay out.

So, the couple used their additional living expenses coverage, and the money from the payout for their personal property coverage, to pay contractors.

They also successfully applied for a Small Business Administration loan in case they ran out of funds for rebuilding. In the end, DiGiovanni said, they didn’t need it, so she now has to do the additional paperwork to end the SBA loan.

DiGiovanni was able to get an extension from Zephyr Insurance to get extra time to itemize the personal property lost in the fire, but said she found the process arduous.

“It was six months of hell,” she said. As someone living with a physical disability, she also found the process literally painful.

SB 2963 would eliminate the need for arduous paperwork over personal contents.

“The companies don’t require an inventory of objects when they provide coverage, and start charging

premiums, so why do they need it after?" Peterson said.

Finally, SB 2951 would require mortgage providers and servicers to pay interest on insurance funds that they are holding in escrow accounts, a major complaint of many policyholders.

Risk, Not Consumer Protections, Drive Premiums

The bills this session are "more focused" versions of the bills that failed to make it to the Senate Ways and Means Committee in the 2025 session.

McKelvey said that in the gaps between that session and this year, he engaged with the National Conference of Insurance Legislators, where legislators swapped "war stories" about managing the fallout from natural disasters.

"Everyone wanted to hear about Lahaina," he said.

Those connections informed some of the draft bills as did existing legislation in other states, including Colorado. The Marshall Fire there on Dec. 20, 2021 bore a lot of resemblance to the Maui wildfires, he said.

The result was "more focused" versions of the bills that failed to gain enough traction in the 2025 session, where insurance legislation was focused instead on stabilizing the property insurance market.

McKelvey said that the experiences of other states like California and Oregon have debunked the theory that tougher disaster insurance laws would cause insurance providers to flee the market.

"It's risk that drives up premiums, not additional consumer protections," he said.

The powerful insurance industry has generally resisted changes in disaster insurance coverage because of the growing number of payouts related to natural disasters over the past 25 years. Neither the Hawai'i Insurance Division or the Hawai'i Insurers Council, a local trade group, responded to requests for comment on the newly proposed legislation.

While he has yet to hear from the insurance industry either, McKelvey said education and outreach will

be critical to get buy-in from the community.

Peterson from United Policyholders said that she considers the proposed legislation just a starting point, “because states like California have already realized what they have isn’t enough.” She also said it is particularly important for states to take the lead given uncertainties around the future role of federal agencies such as the Federal Emergency Management Agency.