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# A BILL FOR AN ACT

RELATING TO INSURANCE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Chapter 431, Hawaii Revised Statutes, is  
2 amended as follows:

3           1. By adding a new section to part II of article 2 to be  
4 appropriately designated and to read:

5           "§431:2-       Working group to identify, assess, and  
6 recommend risk transfer market mechanisms to promote investment  
7 in natural infrastructure to reduce risks of climate change  
8 related to catastrophic events. (a) The commissioner shall  
9 convene a working group to identify, assess, and recommend risk  
10 transfer market mechanisms that:

11           (1) Promote investment in natural infrastructure to reduce  
12 the risks of climate change related to catastrophic  
13 events;

14           (2) Create incentives for investment in natural  
15 infrastructure to reduce risks to communities; and

16           (3) Provide mitigation incentives for private investment  
17 in natural lands to lessen exposure and reduce climate



1 risks to public safety, property, utilities, and  
2 infrastructure.

3 (b) To the extent that the working group recommends risk  
4 transfer market mechanisms that would be provided by insurance  
5 and reinsurance companies, the working group shall recommend  
6 mechanisms that:

7 (1) Are profitable to insurance and reinsurance companies;  
8 and

9 (2) If appropriate, apply to communities or regions,  
10 rather than individual land parcels.

11 (c) The policies recommended pursuant to subsections (a)  
12 and (b) shall include all of the following considerations:

13 (1) Hawaii analogies to examples in other countries for  
14 creating incentives for investment in natural  
15 infrastructure as part of insurance policies that  
16 mitigate elemental risks;

17 (2) Use of insurance to create incentives for wetland  
18 restoration to help defend the coast against storm  
19 surge;

20 (3) Creation of incentives for forests to be managed to  
21 reduce the risk of major fires;



1       (4) Reducing the exposure of insurance companies to  
2       climate change related losses through innovated state  
3       policies or insurance pricing mechanisms that reward  
4       good behavior and charge premiums for actions that  
5       increase public safety risks or losses of property or  
6       environmental attributes; and

7       (5) Development of rating systems based on community risk  
8       factors to climate events, and the use of insurance  
9       incentives to make communities more resilient.

10       (d) The commissioner shall include in the annual report  
11 required under section 431:2-211 a report of the working group's  
12 findings and recommendations, including any proposed  
13 legislation."

14       2. By adding a new section to article 10E to be  
15 appropriately designated and to read as follows:

16       "§431:10E- Claims for additional living expenses under  
17 homeowners insurance policies; states of emergency. (a) In the  
18 event of a loss under a homeowners insurance policy issued or  
19 renewed on or after January 1, 2025, for which the insured has  
20 made a claim for additional living expenses, the insurer shall  
21 provide the insured with a list of items that the insurer



1 believes may be covered under the policy as additional living  
2 expenses. The list may include a statement that the list is not  
3 intended to include all items covered under the policy, but only  
4 those that are commonly claimed. Each insurer may use a list  
5 developed by the insurance commissioner.

6 (b) If a covered loss occurs during a state of emergency  
7 declared pursuant to section 127A-14, coverage for additional  
8 living expenses shall be for a period of not less than  
9 twenty-four months from the inception of the loss; provided that  
10 the coverage for additional living expenses shall be subject to  
11 other policy provisions. An insurer shall grant an extension of  
12 up to twelve additional months, for a total of thirty-six  
13 months, if an insured acts in good faith and is reasonably  
14 delayed due to a lack of necessary construction materials or  
15 available contractors to perform the necessary work. Additional  
16 six-month extensions shall be provided to policyholders for good  
17 cause.

18 (c) No policy that provides coverage for additional living  
19 expenses shall limit the policyholder's right to recovery if the  
20 insured home is rendered uninhabitable by a covered peril. An  
21 insurer may, in lieu of making living expense payments, provide



1 a reasonable alternative remedy that addresses the property  
2 condition that precludes reasonable habitation of the insured  
3 premises. The additional living expense coverage pursuant to  
4 this section shall not apply to any utility's public safety  
5 power shutdown event involving the deenergization of a portion  
6 of the electrical distribution or transmission system to reduce  
7 the risk of wildfire ignition.

8 (d) For a loss that is otherwise not subject to  
9 subsections (b) or (c), in the event of a state of emergency  
10 declared pursuant to section 127A-14 that is related to a  
11 covered peril and accompanied by an order of civil authority  
12 restricting access to the applicable home, additional living  
13 expenses coverage shall be provided for at least two weeks.  
14 Additional two-week extensions shall be provided to a  
15 policyholder for good cause; provided that each extension shall  
16 be subject to any other applicable policy provision."

17 SECTION 2. New statutory material is underscored.

18 SECTION 3. This Act shall take effect on July 1, 2040.



**Report Title:**

Insurance Commissioner; Working Group; Risk Transfer Market Mechanisms; Report; Additional Living Expenses Coverage

**Description:**

Establishes a working group to identify, assess, and recommend certain risk transfer market mechanisms. Establishes requirements for insurers relating to claims for additional living expenses under homeowners insurance policies, including situations where losses are incurred during a state of emergency. Takes effect 7/1/2040. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

