

Aloha Honorable Legislators,

As a condominium owner and a single parent, I have firsthand experience with the challenges and financial strains faced by many residents in our community due to the current structure of our insurance system. Today, I am here to discuss the provisions of SB 1128, a bill that promises significant improvements to the way additional living expenses are handled under homeowners' insurance policies during states of emergency.

This bill addresses a crucial aspect of disaster recovery—ensuring that homeowners are not left without support when they are most vulnerable. As someone deeply affected by the implications of our existing insurance regulations, I appreciate the intent behind SB 1128 to provide extended coverage and protections for homeowners during catastrophic events. However, while the bill takes commendable steps towards aiding homeowners during such critical times, it also presents areas where it could be strengthened to ensure that no resident is unduly burdened by insufficient coverage or unclear policy stipulations.

Below, I will outline specific elements of the bill that are particularly beneficial, as well as propose amendments that I believe are essential for enhancing its effectiveness and fairness. These suggestions aim to refine the bill to not only meet but exceed its potential in serving the residents of Hawai'i, ensuring that our insurance framework is both robust and equitable.

Analysis of SB 1128:

1. **Extended Coverage Period:** The bill mandates that coverage for additional living expenses in the event of a covered loss during a state of emergency should be not less than 24 months, with the possibility of extensions up to 36 months if delays are caused by external factors such as lack of construction materials or available contractors. This provision is particularly beneficial as it acknowledges the real challenges homeowners face in rebuilding after major disasters.
2. **Protection Against Policy Limitations:** It prohibits insurers from limiting policyholders' rights to recovery if their residences are uninhabitable due to a covered peril. This is crucial as it ensures that homeowners can access the funds necessary for alternative living arrangements without undue restrictions.
3. **Alternative Remedies:** Insurers can provide reasonable alternatives instead of direct living expense payments if such alternatives can more effectively address the uninhabitability issues. This flexibility can be beneficial but may also be subject to misuse if not properly regulated.
4. **Emergency Extensions:** For losses related to states of emergency with civil authority restrictions, the bill provides for an initial two-week coverage for additional living expenses, with potential for extensions. This is critical during widespread disasters when access to affected properties might be restricted for extended periods.

Suggested Amendments:

- **Clarify 'Good Cause' for Extensions:** The term "good cause" should be clearly defined within the bill to ensure it encompasses a wide range of legitimate reasons homeowners

may face delays in rebuilding or returning to their homes. Specific examples or criteria would prevent arbitrary decisions on extensions.

- **Regulate Alternative Remedies:** While allowing insurers to offer alternative remedies can be practical, specific standards and guidelines should be established to ensure these alternatives meet or exceed the benefits of direct expense reimbursements. Homeowners should have the right to reject inadequate remedies without penalty.
- **Increase Minimum Emergency Coverage:** Given the potential for prolonged displacement during major disasters, the initial two-week coverage for additional living expenses might be insufficient. Proposing an increase to a minimum of one month with clearer extension criteria could provide better support for affected homeowners.
- **Enhance Transparency and Communication Requirements:** Amendments should require insurers to provide detailed, understandable explanations of coverage and rights under the policy at the time of purchase and following any claim related to additional living expenses. Additionally, requiring electronic communication methods would ensure that all policyholders, especially those who may be displaced, receive timely and accessible information.
- **Oversight and Reporting:** Implement provisions for regular oversight and reporting by the insurance commissioner to monitor compliance with these extended coverage requirements and assess their impact on homeowners' recovery post-disaster.

By addressing these areas, the bill can better serve the interests of homeowners, ensuring they receive sufficient support during disruptive and often devastating periods without facing undue financial strain from prolonged displacements.

Mahalo,

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