

# HOMEOWNERS INSURANCE FAQ's



The Department of Commerce & Consumer Affairs' Hawai'i Insurance Division (HID) has compiled the questions we most frequently receive about homeowners insurance. Please contact us if we can assist you further.

## How is my homeowners insurance premium calculated?

Insurance companies set *premiums* (= the money that you, the consumer, pay for insurance coverage) based on the expected cost of future claims. Personal risk factors, like those listed below, are considered when setting premiums. State laws require that rates cannot be excessive, inadequate, or unfairly discriminatory. At the same time, the Insurance Division must make certain that insurers remain financially stable in order to protect policyholders by having enough funds to settle claims.

### Home Insurance Factors

- Where you live. For instance, living in an area with high crime rates can increase your homeowners insurance premium because homes in neighborhoods with frequent burglaries or vandalism are considered higher risk. Similar to living in Lava Zone 1 and 2 having a higher risk for the lava *peril* (= an event or circumstance that exposes an individual to the risk of injury, damage, or loss), or living near a coastline having a higher risk for the flood peril – these risks will lead to greater insurance costs because the premium must reasonably match the risk of loss.
- Your claims history.
- The cost to replace your home and contents, which is not the same as its market value.
- Your deductible. A deductible is the amount of money you pay before your insurance company starts paying its share of claim costs. Choosing a higher deductible will reduce the price you pay for homeowners insurance.
- Your home's age. New homes may qualify for discounts, while older homes may not qualify for preferred programs. Insurers may require older homes to have updated plumbing, wiring, and roofing.
- The age and maintenance of your home's construction materials and roof. Homes built with fire-resistant materials may have lower premiums than more flammable materials such as wood roofs.
- Fire protection. Your home's distance from a fire hydrant and the quality of your local fire department determine your fire protection class.

### Additional Factors

- Extreme weather events. Natural disasters are happening more frequently, and they are becoming more severe—even occurring in areas that haven't been historically impacted. This can result in more damage to homes and more claims being filed.
- Construction and repairs, including the costs of labor and materials. As repair and replacement costs increase, insurers face higher payouts for claims, which they pass on to policyholders in the form of increased premiums.
- Economic factors like inflation and interest rates influence real estate values and the price of goods.
- Increasing cost of litigation.
- Reinsurance costs. Insurance companies buy their own form of insurance called reinsurance. Reinsurance costs have risen significantly and are also impacted by the above factors.

## Why am I seeing large increases in my homeowners insurance premium, despite never filing a claim?

The following factors are currently influencing homeowners insurance rates and availability:

- Increases in the cost and volume of claims: It's a fact that homeowners insurance in Hawai'i, and across the country, has changed significantly in the past few years. The increased amount of funds paid out per claim and the increased number of submitted claims has resulted in increases in the cost of insurance and a reduction in the number of insurers willing to provide homeowners policies.
- Increases in construction and labor costs: Increased costs of construction materials and a shortage of skilled tradesmen have driven up construction costs, making it more expensive to rebuild or repair your home if it were damaged or destroyed.
- Increases in the severity and number of natural disasters: Hawai'i faces unique challenges due to the concentration of major catastrophic risks—hurricanes, lava flows, floods, and wildfires—within a relatively small geographic area. The lava peril presents a distinct challenge because it cannot be mitigated—unlike hurricanes, earthquakes, floods, or wildfires, where property owners can take steps to reduce risk. The inability to safeguard homes against lava flows makes it difficult for admitted insurance companies to offer new policies in these zones. As a result, any viable insurance solution must have substantial financial backing to ensure it can provide reliable coverage and the ability to rebuild homes after a loss. In Lava Zones 1 and 2, the risk of loss is perceived as exceptionally high, particularly due to frequent eruptions. Thus, most insurers are unwilling to issue policies at any price, making it difficult to attract private carriers back into these high-risk areas.
- Selected coverage type, limits, and deductibles all contribute to premium cost: Homeowner policies are tailored to meet the coverage needs of individual homeowners. Every homeowner has decision points within a policy where they select coverage amounts and deductibles that all contribute to the final cost of the policy. If you select higher limits for your dwelling, personal property, loss of use, or liability coverage, you will see an increase in premium. This includes your decision to buy a policy that covers actual replacement cost versus receiving the market value of the home should it be lost entirely.

## How can I lower my premium?

- Shop around. Before you buy a policy, it's a good idea to get quotes from several companies. Make sure you understand what coverages are included and that you're comparing like policies.
- Increase your deductible, but make sure you have the money to pay out-of-pocket if you file a claim.
- Bundle your homeowners policy with an auto insurance policy.
- There may be discounts for installing smoke detectors, deadbolt locks, monitored security systems, alarm and sprinkler systems.
- Updates to your electrical, plumbing or roof covering could result in premium credits.

## What is the State doing to address the property insurance crisis?

- Governor and legislative action: Recognizing the crisis affecting Hawai'i and its residents, Governor Green and the Legislature enacted Act 296, which reactivated the Hawai'i Hurricane Relief Fund (HHRF) to provide a layer of hurricane coverage up to \$90 million to eligible condominiums. The program began on June 24, 2025, and has already issued over \$2 million in premiums. Act 296 also enhanced the powers of the Hawai'i Property Insurance Association (HPIA) to provide insurance coverage for those who are unable to secure homeowners or dwelling fire insurance from private companies, and established a Condominium Loan Fund to help buildings remain insurable.
- Rate review processes: The Hawai'i Insurance Division has stringent rate review processes to ensure that any proposed premium increases by licensed insurance companies are justified. It continues to closely monitor the insurance industry and remains committed to ensuring Hawai'i's insurance market remains robust and that consumers continue to have access to reliable coverage.



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## What resources are available for homeowners needing assistance understanding their insurance options and rights?

- Hawai'i licensed insurance producers: Your insurance agent can explain the different types of policies available, including what each covers, and coverage levels, plus provide advice tailored to your specific needs. They can also educate you on insurance rights, the claims process, available discounts, and advocate on your behalf. The important thing is to stay in touch with your agent. Producers often offer annual policy reviews to ensure that coverage remains adequate and up to date with any changes in the property owner's circumstances.
- Hawai'i Insurance Division: The HID is available to answer general inquiries and investigate complaints filed by consumers and can be reached at [insurance@dcca.hawaii.gov](mailto:insurance@dcca.hawaii.gov) or 1-844-808-3222 (select #4). Several publications and resources are available on the division website at <https://cca.hawaii.gov/ins/insurance-division-consumer-resources/>, including premium comparison sheets for homeowners, condominium, renters, and motor vehicle insurance.

## What is the long-term outlook for property insurance in Hawai'i?

The long-term outlook for property insurance in Hawai'i is shaped by many complex factors. Challenges such as climate change and market stability pose significant risks, but advancements in technology and proactive measures by both lawmakers and homeowners can help mitigate these risks and ensure the availability of affordable property insurance in the future.