

Bach Talk - Why the CA Supreme Court needs to have Commissioner Jones' back

Have you ever contacted an insurance agent or company and asked them to insure your home for a specific dollar amount? If so, you're probably in the .00001% of insurance consumers. That's just not how it works in real life.

In real life, we rely on agents and insurers to tell us how much insurance we need on our homes. And when we apply for insurance, they **do** tell us. Well, ok, their computer tells us... When we apply for insurance, we answer some basic questions about the size, age, and features of our home, and we get a printout or email with a policy quote and a dwelling limit that's based on a software calculation. But as you know, computers don't repair and rebuild homes - contractors do. And guess what? The computer software that agents and insurers use to set coverage amounts on people's homes tends to spit out policy quotes that way undervalue home replacement costs. That works just fine for most consumers because they have no idea what the replacement value of their home is. And, because low price is their main focus, they go their whole lives without ever suffering a serious or total home loss and never know or care that they're underinsured. The system works well for insurers. They get to compete on low price, and they're protected by courts when they're caught underinsuring homes.

But for the small but significant portion of our population that do suffer catastrophic property losses - an underinsured home is not just fine. It's a second nightmare.

California's Insurance Commissioner Dave Jones and his staff have worked side by side with United Policyholders to solve this problem for many many years. Jones and his staff examined the problem and took a practical approach: They created a list of all the items that have to go into a home replacement valuation in order for it to be accurate and put them into a set of regulations. To keep insurers happy, the regulations don't **require** them to value a home's replacement cost when selling a policy to a homeowner. But when an insurer *chooses* to, CDI requires them to make sure it includes every item on

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the list. Sadly, insurers were *not* happy with this practical approach. [They sued the Commissioner and told him, in essence, “you’re not the boss of me.”](#)

In every state in the US, insurance regulators *are* the boss of insurers. They have to be. Insurance is affected with the public interest, like a utility. You have to buy it to drive a car. You have to buy it to buy a home or run most businesses. The financial security that insurance policies provide is essential to the financial health of consumers and the economy at large. Insurance regulators police solvency, rates, forms, sales, and claim practices. In the words of [The Dude](#), this aggression will not stand.

So that is why the California Supreme Court needs to have Commissioner Jones’ back and tell insurers – “Yes, he *is* the boss of you.”