

California Bill Would Force Insurers to Pay Full Coverage Without Requiring Itemization

NY Times

California's insurance commissioner joined with state legislators on Friday to propose a new law that would force insurers to pay homeowners 100 percent of the coverage for belongings inside destroyed homes, releasing them from the mentally taxing process of listing every object they lost — a requirement of many insurers, and one that consumer advocates say only compounds the trauma.

If passed, the legislation would make California the only state in the country requiring 100 percent insurance payouts without such itemization. Similar legislation in Oregon and Colorado following catastrophic fires in those states require insurers to pay 70 and 65 percent of the coverage limit, without an inventory, according to Emily Rogan, a senior program officer for United Policyholders, which supports the rights of consumers.

The bill applies only to homes that were destroyed in a disaster and calls on insurance companies to pay a homeowner's total contents coverage without forcing them to provide an inventory, according to the bill's sponsor, California Insurance Commissioner Ricardo Lara, and the bill's author, State Senator Ben Allen.

"The idea here is, we say, 'Look, this is the insurance plan that you own. You have a total loss, and we're not going to require you to draw up this itemized list in this moment of incredible pain and vulnerability,'" said Mr. Allen, whose district includes the Pacific Palisades burn zone.

Forcing homeowners to account for every last item in their former house is "inhumane," said Mr. Lara, adding that he was inspired to name the bill "Eliminate 'The List'" after The New York Times published an article detailing the experience of a homeowner in Altadena, Calif., as she attempted to itemize every T-shirt burned in the flames. "It's hard to describe the agony in people's faces," he said.

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The proposed law comes a week after Mr. Lara issued a bulletin imploring insurance companies to voluntarily pay 100 percent of the contents coverage for homes destroyed in the recent fires. That notice did not have the force of law, and the commissioner said that “it’s clear that we need to go further,” based both on the Times’s reporting and on the feedback his office has received from distressed homeowners.

A law passed by California’s legislature in 2020 already requires insurers to pay 30 percent of a policy’s dwelling limit without the need to itemize when families have faced a total loss in an area that was declared a state of emergency. But in order to get the full policy limit, policyholders must still go through the itemization process.

Assembling the dreaded list “is the largest pain point after a disaster,” said Ms. Rogan of United Policyholders, who explained that the detailed inventory was originally intended to deal with smaller claims, such as accounting for appliances after a kitchen fire. But most insurance companies also demand the same detailed and exhausting list from homeowners who suffered a total loss.

Consumer advocates have long argued that the itemization requirement is unfair. It can delay a community’s ability to rebuild and adds immeasurable stress to families already reeling from the loss of a home.

“Your body is telling you to forget everything you lost, yet you are being told to remember every single item,” Ms. Rogan said.

Even after victims make the list, often with details as specific as a product model number, insurers will pay only the depreciated value — a \$1,000 couch that a family bought a decade ago might garner a \$250 check, with the remainder paid out once the family buys a replacement and submits an invoice proving that it is worth more than \$250, Ms. Rogan said.

The bill will now make its way through California’s legislature, which typically votes in the fall. Mr. Allen said that he and others may ask for an earlier vote. While a handful of insurers have already agreed to pay the coverage limit, he said that he expects pushback from the insurance industry.

“Every time there is a disaster like this is it’s a bit of a litmus test for the general public about the



honesty and integrity of insurance,” Mr. Allen said. “We dutifully pay year after year on the expectation that when disaster strikes, they will be there for us. Some have really stepped up, and others less so.”

The new bill is part of a legislative package of 10 proposals for wildfire mitigation and recovery. If the proposals become law, they would reform the insurance process in California and provide tax credits for homeowners who rebuild using materials and techniques that harden their homes, protecting them from future fires.

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