

[California Bills Inspired by 2017 Mudslides and Fires Clear Committee](#)

Insurance Journal

Two bills inspired by the 2017 mudslides and fires in California that are designed to help prevent homeowners from being underinsured when disaster strikes passed the Assembly Insurance Committee on Wednesday.

The bills, sponsored by California Insurance Commissioner Dave Jones, passed out of the committee with a unanimous vote. Assembly Bill 1797, authored by Assemblyman Levine, D-Marin County, and Assembly Bill 1875, authored by Jim Wood, D-Healdsburg, will help homeowners avoid being underinsured, a terrible problem faced by many survivors of the 2017 fires, according to Jones.

Underinsurance was one of the most significant problems facing fire and mudslide survivors in the aftermath of the 2017 fires and ensuing mudslides. According to a survey conducted by United Policyholders following the 2017 North Bay fires, 66 percent of survivors were underinsured on the dwelling portion of their claim and 47 percent were underinsured on the contents portion of their claim. “These bills are designed to help fire and mudslide survivors avoid the huge financial burden of being underinsured and unable to afford to rebuild by tens of thousands or hundreds of thousands of dollars,” Jones said in a statement. “They offer California consumers more peace of mind knowing that if disaster strikes their insurance coverage should be sufficient to cover the costs of rebuilding and they will be able to move forward with certainty.”

AB 1797 is aimed at making sure that homeowners are given an updated replacement cost estimate for their home. Current regulations require a comprehensive estimate of the cost to replace a home when a replacement estimate is provided by the insurer, but state law does not mandate that insurers produce or regularly update a replacement cost calculation.

The bill would require insurers to either provide a policyholder with a full replacement cost estimate every other year or apply an inflation factor to the dwelling limit at each renewal and clearly offer the consumer the option to obtain a full replacement cost estimate.

AB 1875 addresses apparent confusion surrounding extended replacement cost coverage. ERC, which

allows property owners to purchase limits above the replacement cost policy limits, are typically based on an insurer's estimated cost of replacement.

However, ERC limits can vary from the low of a 20 percent option to higher options. Those supporting the legislation say many consumers are never provided these options by insurers nor are they told how the coverage options, if available, would impact their premiums.

AB 1875 would require an insurer that does not provide at least 50 percent ERC to help direct the consumer to an insurer that does.