

[California Trade Groups File Suit to Stop 'Replacement' Regulation](http://www.propertycasualty360.com/2011/06/28/california-trade-groups-file-suit-...)

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Two California trade associations have filed court documents in an attempt to stop one aspect of regulations that were implemented June 27 by Insurance Commissioner Dave Jones.

The Association of California Insurance Companies (ACIC) and the Personal Insurance Federation of California (PIFC) say in a statement that they agree with and support most of the newly enacted regulations drafted by former Insurance Commissioner Steven Poizner, but one provision “just sets a technical trap to punish perfectly legitimate conduct” when insurers or agents talk to customers about homeowners’ insurance.

The groups filed a lawsuit in state Superior Court to stop what the associations call “anti-consumer and inconsistent” regulation that mandates a formula and wordage insurers and agents must use when speaking to buyers of homeowners’ insurance. Deviation from this is deemed as a deceptive sales practice and is a punishable offense.

“Insurers want to foster open communications with policyholders and these regulations restrict these communications,” says a joint statement from ACIC and PIFC.

The issue at hand is one that began after the Oakland Hills wildfires in 1991. Before the fires, insurers typically guaranteed complete reconstruction of a home. After the fires, insurers began to stop the practice, offering various policies with different replacement-cost limits. Regulators say this confuses consumers.

Legislation implemented June 27 “would appear to trigger increased regulation and possible sanction upon the mere use of the words ‘replace’ or ‘replacement’ during a transaction,” says a letter from two state lawmakers to Poizner sent a year ago.

The ACIC and PIFC say past attempts by the insurance department to control insurers’ interactions with homeowners’ insurance customers have failed in court, which say policyholders have the responsibility to get enough coverage, not insurers.

A joint statement from Jones and Amy Bach, executive director of consumer organization United

Policyholders, says the new regulations are aimed at keeping homeowners from being underinsured. The insurance industry actually supports most of the enacted regulation including provisions requiring more training for insurance agents on replacement costs for homes, more record-keeping by insurers about homeowners' insurance sales, and improved disclosures from insurers to the public during a homeowners' insurance transaction.

The ACIC and PIFC say insurers will comply with the all regulations while the lawsuit is pending.