

Homeowners insurance regulations take effect

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New statewide homeowners insurance regulations took effect Monday that, depending upon who you believe, either protect consumers against under being insured or restrict the ability of insurers to enlighten homeowners about their coverage.

California Insurance Commissioner Dave Jones announced the new regs Monday along with Amy Bach, executive director of United Policyholders .

The new regulations were adopted, Jones said in a release, to improve the standards and training for estimating the replacement value on homeowners' insurance in the event of a disaster. They also were meant to reduce the common problem of homeowners buying too little coverage.

Two Sacramento-based insurance trade associations, however, contend that the regulations restrict communications between insurers and policyholders, are anti-consumer and inconsistent with California law.

The Association of California Insurance Companies and the Personal Insurance Federation of California filed a lawsuit a few weeks ago in Los Angeles County to stop a piece of the regulations. The associations object to insurance companies having to use a formula and particular words when talking to customers about home insurance, and being subjected to discipline if they deviate from those words.

"There are many more helpful ways than one to talk with a customer about the purchase of homeowners' insurance," the associations said. The Department of Insurance's "approach just sets a technical trap to punish perfectly legitimate conduct. "

"These regulations will go a long way toward ensuring that consumers who are victims of a disaster, such as a wildfire, are able to get the financial relief to rebuild their homes and their lives, while also doing much to ensure that homeowners are not underinsured" Jones said in the release. "It's devastating enough to lose your house to a disaster, but not to receive adequate funds to replace it just adds insult to injury."

The new rules, Jones said, spell out requirements on replacement value and replacement cost estimates that will establish more consistent and accurate calculations on replacement costs. The regulations also create training standards for agents and brokers and standards for real estate appraisers and set

requirements for record keeping.

“Insurers have clearly missed the mark with this lawsuit and their argument simply has no merit,” Jones said. “The replacement cost regulation has nothing to do with underwriting. The industry is free to decide which customers to sell to and at what price, as long as they comply with the voter-approved initiative Proposition 103, make rate filings with the Department, and get them approved.”