

Insurance commissioner announces new regulations to protect homeowners from being underinsured

<http://lakeconews.com/content/view/20321/928/>

Insurance Commissioner Dave Jones, joined by Amy Bach, Executive Director of United Policyholders, announced on Monday a series of new homeowners regulations aimed at enhancing the standards and training for estimating the replacement value on homeowners' insurance in the event of a disaster. These new regulations also represent a concerted effort to significantly curb the common problem of underinsurance that many homeowners face.

The new regulations include provisions for laying out requirements applicable to replacement value and replacement cost estimates to create a more consistent, comprehensive and accurate replacement cost calculation; setting forth training standards for agents and brokers who sell homeowner's insurance; creating standards for real estate appraisers who estimate replacement cost for insurance purposes; requiring the application of certain standards when estimating replacement and construction costs; and establishing record keeping requirements.

"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," said Jones. "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."

"We applaud the Department for taking action to stop the industry from underinsuring consumers when their home is damaged or destroyed in a natural disaster," said Bach. "After every wildfire in California, two-thirds of the people who lose a home face a second nightmare when they find out they don't have enough insurance to cover the loss."

Commissioner Jones also responded to a lawsuit recently filed by the industry that seeks to block the consumer-friendly regulations.

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The suit was filed by the Personal Insurance Federation of California whose members are Farmers Insurance, Liberty Mutual Group, Progressive Insurance Company, State Farm Insurance Companies, Allstate Insurance, Mercury Insurance, and other insurers and by the Association of California Insurance Companies.

According to the complaint, the regulation restricts insurer “underwriting” and the Department of Insurance doesn’t have that authority.

“Insurers have clearly missed the mark with this lawsuit and their argument simply has no merit,” said Commissioner Jones. “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. This is just another attempt, in a long line of many, by the insurance industry to strip consumers of the protections they deserve.”

He pointed out that, instead, the regulation addresses how insurance companies communicate with their customers when they’re making a sale, ensuring that they give them complete and accurate information and not mislead them.

The suit also contends that the Department can’t require companies to offer a complete replacement cost estimate, saying they are free to describe replacement cost in whatever way they choose.

According to Commissioner Jones and complaints filed with the Department, when policies are sold to customers there’s been confusion about what a “replacement cost” estimate actually covers, and this regulation clears up that confusion. Insurance companies are not required to provide an estimate, but if they do, it must be complete and include certain components.

“It’s appalling that insurance companies want to block these important consumer-friendly measures, which protect people when they are at their most vulnerable,” Commissioner Jones explained.

“Consumers are entitled to know at the outset what their replacement cost is so they can make informed decisions about their coverage. We will defend these regulations to ensure that members of the public receive full and fair disclosure from insurers about the products they are buying.”

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