

Legislature enacts home insurance reforms without relief for 2017 wildfire victims

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The state Legislature has approved additional consumer protections for homeowner insurance to help Californians in the future as they grapple with greater statewide wildfire risks.

The package of bills passed both chambers prior to summer adjournment on Saturday, despite resistance from the politically powerful property and casualty insurance industry. Most notably, industry lobbyists were able to thwart any measure that would have provided retroactive relief to help policyholders for the almost 6,200 North Bay homes lost in last year's wildfires. The blazes triggered about \$10 billion in home insurance claims.

"These bills will help consumers trying to get back on their feet after devastating wildfires," state Insurance Commissioner Dave Jones said in a statement.

Many local homeowners found themselves underinsured — some as much as hundreds of thousands of dollars — in the aftermath of the fires. Others were burdened by onerous requirements to itemize all of their personal-property losses in order to obtain their full coverage reimbursement.

One consumer advocate said the insurance package was the most robust legislative effort to help homeowners since laws enacted in the aftermath of massive wildfires in San Diego County in 2003.

"This is a much more productive outcome than I thought we were going to get," said Amy Bach, executive director of United Policyholders, a San Francisco-based advocacy group. "The Legislature somewhat redeemed themselves here."

A key bill by state Sen. Bill Dodd, D-Napa, would allow policyholders to combine for some coverage areas — primary dwelling and other structures — to go toward rebuilding the main structure. Policyholders would qualify for that option only if they are underinsured in rebuilding the primary dwelling, suffered a total loss, and the event was related to a declared state of emergency by Gov. Jerry Brown. The bill's language was narrowed greatly as it moved through the Legislature at the insistence of the industry.

"The insurance industry has a huge lobby in front of the committees," Dodd said of his uphill fight.

The Dodd measure also would require insurers to renew homeowner policies for at least two years,

instead of one year, if the total loss of a home was caused by a disaster.

The bill also would increase insurance coverage for rental living after a home is destroyed from two years to three, if the policyholder is “acting in good faith and with reasonable due diligence” while encountering rebuilding delays.

Another important bill, AB 1800, by Assemblymember Marc Levine, D-San Rafael, would clarify current law to require insurers to pay extended replacement-cost coverage, if the policyholder wants to rebuild at a new location or buy a house in another location.

Some local residents have encountered a gray area when attempting to use the add-on policy to help pay for a new home elsewhere, Bach said.

The insurance measures also included AB 1875 by Assemblyman Jim Wood, D-Santa Rosa. Wood’s bill would require insurers to offer extended replacement-cost coverage of at least 150 percent of the overall coverage limit. If they don’t offer such a policy, insurance agents must direct a policyholder to an insurer that might.

Last week, the governor signed another one of the insurance measures, AB 1797, by Levine. It requires insurance companies to provide homeowners an estimate every two years of how much it would cost to rebuild their homes.

The industry was able to kill one notable bill, AB 897, by state Sen. Mike McGuire, D-Healdsburg. It would have required insurers to pay at least 80 percent of the maximum limit of homeowners’ personal-property coverage without requiring policyholders to itemize their losses.