



381 Bush Street, 8th Floor
San Francisco, CA 94104
415.393.9990
www.uphelp.org

September 11, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol Building
Sacramento, CA 95814

Request for signature on SB 872

Dear Governor Newsom:

We write to respectfully request that you sign the above referenced bill into law.

Our non-profit consumer organization helped initiate this bill and we strongly support it on behalf of the disaster impacted households that we serve through our Roadmap to Recovery™ program in partnership with the CA Department of Insurance and local officials and agencies.

SB 872 codifies claim process reforms that leading insurers voluntarily agreed to with the California Department of Insurance after a 2007 wildfire. Our organization has helped get these negotiated reforms re-affirmed after every major ensuing wildfire, and they are woven into our recovery education curriculum because they're extremely useful to households. We've been monitoring their helpful impact through surveys that we routinely conduct. It is clear these practices expedite the flow of funds to victims and improve recovery, and insurers are already largely implementing them and can clearly live with them.¹

Signing this bill into law will help get insurance funds into disaster survivors' hands quickly, which is critical to dislocated, cash-strapped households. SB 872 also eliminates time-consuming itemization and paperwork requirements so loss victims can more easily replace essential household items.

This bill also has an important feature that is needed to help wildfire impacted households replace their homes by buying instead of rebuilding. It clarifies existing law in Insurance Code 2051.5 and gives assurance that a homeowner can collect the full amount of insurance funds that would be owed to them if they rebuilt at the same location and use those funds to buy a replacement home elsewhere.

This feature of the bill has two benefits: 1) It allows a disaster victim to get back into a home without having to undertake a major construction project, and 2), It helps people re-settle in less wildfire-prone areas.

¹See <https://www.uphelp.org/data-collection-surveys>.

Our Mission

United Policyholders is a non-profit 501(c)(3) organization whose mission is to be a trustworthy and useful information resource and an effective voice for consumers of all types of insurance in all 50 states.

Programs

*Advocacy and Action
Roadmap to Preparedness
Roadmap to Recovery™*

Existing law gives California residents the right to collect full replacement cost benefits regardless of whether they buy an existing home or rebuild at a different location. However, some insurers are unfairly penalizing those who chose to relocate by deducting an arbitrary amount from what they calculate as the value of the land under the home they want to buy. Their argument is that it's unfair for the homeowner to end up with two lots. But the truth is – if the purchased home, including the land, has the same value as the original home not including the land it was built on – the homeowner has bought a lesser value home than the one that was destroyed – so it comes out even.

UP has been working hard to prevent insurers from making this unauthorized deduction and we need the law to be clarified. There is and should be no land value deduction authorized in Ins. Code 2051.5 and this bill will confirm that fact.

Finally, SB 872 also provides increased protections for insureds' homes rendered uninhabitable and for those losses that occur due to a civil authority order.

Providing Immediate Financial Relief for Necessary Living Expenses

One of the first things we tell insureds after a loss is to seek comfortable and safe housing similar in size and quality to their original residence.² Home insurance covers temporary living expenses due to the loss of use of the home. In the aftermath of a disaster, local housing tends to be in high demand and short supply. Finding temporary housing often requires a large outlay of money. Oftentimes, renting a temporary dwelling will require first month's rent, last month's rent, and a security deposit up front, or some combination thereof. Under standard policy requirements, the insured must front these expenses and submit them for reimbursement. Under the voluntary reforms this bill codifies, the insured gets an advance of 4 months of loss of use policy benefits so they don't have to front their temporary rent, etc.

An upfront payment of four months of additional living expenses gives the insured a benefit they have already paid for and are owed. Expedited benefit payments are a key feature of the voluntary claim reforms this bill codifies.

Additionally, SB 872 gives disaster-impacted households a 60-day grace period to pay policy premiums. This reform recognizes the financial realities and concerns insureds immediately face, which include finding and affording shelter and necessities while grieving and displaced.

Reducing Burdensome Personal Property Inventory Requirements

Finding adequate housing is only one step in the recovery marathon. As an insured gets deeper into the insurance recovery process, various hardships often arise. One of the most challenging and tedious aspects of collecting insurance benefits is completing an itemized and detailed personal property inventory. This generally includes documenting, pricing, and assigning an age to each and every item in an insured's home including toiletries, medications, cooking supplies, bedding, and each piece of clothing.

United Policyholders does everything we can to lighten the load of this daunting task. We publish free samples of completed inventories and host free clinics and workshops to help insureds list and value their possessions. We also supply insureds with numerous publications, guides, and tip sheets on completing a personal property inventory.³ However, in a total loss scenario where everything has been destroyed, it is

²See UP's First Steps After a Wildfire: <https://www.uphelp.org/blog/first-steps-after-wildfire-0>

³See UP's Contents Claim Help page: <https://www.uphelp.org/guide/contents-claim-help>

inefficient and punitive for insurers to enforce this laborious requirement to the letter. Insurers have been relaxing inventory itemization requirements in recent years, so this reform should not be controversial.

SB 872 will substantially lighten the load on disaster survivors by prohibiting insurers from requiring that the inventory be submitted on a specific form. As long as the alternative form contains substantially the same information as the insurer generally requires, they must accept it. Further, SB 872 grants insureds more flexibility by allowing similar categories of personal property to be grouped (e.g. grouping 100 DVDs together in a single line item). Creating a personal property inventory is often as tedious as a second full time job and is also emotionally taxing. This provision benefits insureds and does not prejudice insurers in payment of the claim. Many insurers are already following these practices in their current claim handling in California.

Upholding the California Right to Buy a Replacement Home

As devastating wildfires transition from a rarity to normalcy, the legislature has recognized and clarified that insureds should have the option to skip the arduous reconstruction process and replace their destroyed home by buying elsewhere. The legislature has also clarified that those who buy a replacement home are entitled to *all benefits they would have collected toward the cost of rebuilding their home*. Those benefits include the cost of upgrades that would have been required to comply with local building codes and extended coverages the insured paid for.⁴

However, *some* insurers are continuing to withhold a portion of benefits owed by deducting the value of land under the purchased home. We have been persistent in urging insureds to push back and fight against a land value deduction for reasons discussed above.⁵

SB 872 will resolve this issue by prohibiting insurers from forcing their insureds to buy lesser value dwellings, borrow money, or use retirement or college fund savings to buy an equivalent replacement home. Homeowners should be able to use their clear legal right to replace a destroyed home by buying one of comparable value without forfeiting available insurance benefits.

Protecting Insureds Whose Homes Are Uninhabitable or Inaccessible Due to Civil Authority

For losses related to a state of emergency, SB 872 protects insureds by prohibiting an insurer from limiting the policyholder's right to recovery if the insured home is rendered uninhabitable, but allows insurers to provide a reasonable alternative remedy that addresses the property condition that precludes reasonable habitation of the insured premises.

Further, the bill would require additional living expense coverage to be provided for at least 2 weeks, with additional 2-week extensions, in the event of a state of emergency and an order of civil authority restricting access. This provision recognizes that insureds can often be displaced from their homes due to a government mandated evacuation for several weeks, unable to return home during an ongoing wildfire, and can accumulate thousands of dollars of unanticipated living expenses in that time. These are expenses that insurers may disclaim if the insured premises did not sustain physical damage. SB 872 helps to close this coverage gap.

⁴ Cal Ins. Code §2051.5(c)

⁵ See UP's stance on the land value deduction in Buy or Rebuild: <https://www.uphelp.org/pubs/buy-or-rebuild>

About United Policyholders

United Policyholders (“UP”) is a non-profit 501(c)(3) organization that informs, helps, and speaks for insurance consumers in California and across the nation. UP is funded by donations and grants and is supported by volunteer labor. UP does not sell insurance or accept funding from insurance companies. At www.uphelp.org, UP offers a variety of resources and tools that help consumers make good decisions when buying insurance or navigating a claim. UP has been educating and assisting California insureds, including wildfire survivors, since the 1991 Oakland-Berkley Firestorm. UP has devoted significant time and resources to informing disaster survivors on their rights under the voluntary claim handling reforms and advocating for substantive pieces of SB 872.

Thank you for your leadership on wildfire preparedness and recovery, and your time and consideration on this important matter.

Sincerely,

A handwritten signature in black ink that reads "Amy Bach". The signature is written in a cursive style with a long, sweeping underline.

Amy Bach,
Executive Director