

May 27, 2010

Via Email to Assemblymember.Gaines@assembly.ca.gov

Assemblymember Ted Gaines
Member, Committee on Banking and Finance
State Capitol
P.O. Box 942849
Sacramento, CA 94249

Board of Directors

Amy Bach
Executive Director

Alice J. Wolfson
Chair, Board of Directors

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Chief Justice (RETI)
Arizona Supreme Court

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Mannion & Lowe

Shirley Roberson
Non-Profit Consultant

Deborah Senn
Insurance Commissioner (1983-2001)
Washington State

William M. Shernoff
Shernoff, Bidart, Darras & Echeverria LLP

Re: Support for Assembly Bill AB 2022 (Gaines)

Dear Assemblymember Gaines,

We are writing to express our qualified support for Assembly Bill 2022. This measure will shorten and simplify the California Residential Property Insurance Disclosure form that insurance carriers must periodically send to their California customers. The bill will make it more likely that property owners will read this form and get a clearer understanding of their insurance options and coverage.

United Policyholders is working hard through our Roadmap to Preparedness program to increase public awareness of the importance of buying enough insurance to cover the cost of repairing or replacing damaged and destroyed property after a serious loss. United Policyholders participated in drafting sessions on AB2022 and we support it as a step in the right direction.

It should be noted, however, that this bill *will not solve* the chronic post-disaster problem of people losing homes and finding out they are underinsured/have inadequate insurance coverage for the full costs of replacing what was lost. We refer to this as the “underinsurance” phenomenon.

The only real solution to the underinsurance problem is to make insurance companies legally responsible for recommending adequate coverage to consumers, who can then accept or reject the recommendation and thereby choose to be fully insured or to insure their property for less than full value.

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Under the current system, insurance sales representatives, (naturally hoping to make a sale, and knowing low price is the consumer's goal), pay little or no attention to whether or not they are *fully* insuring a consumer's property. The typical sales pitch leads the consumer to believe they are in the hands of a competent insurance professional and that if they make the purchase they will be fully insured. But as we have learned after every wildfire since United Policyholders was founded in 1991 – the vast majority of homeowners do not have sufficient insurance coverage to replace their homes after a total loss. Because it impacts only a relatively small number of people (those who lose their homes in wildfires), and because current case law shields insurers from liability for failing to fully insure properties, the status quo re: underinsurance remains.

From the time our organization was founded in 1991 through the present day, our staff and volunteers have been working, often in coordination with CDI, to resolve serious underinsurance problems that surface after every wildfire and make it extremely hard for communities to recover their tax base and for individuals to rebuild. We have made very little progress in remedying the problem. As long as insurers know they will not be held legally responsible for misleading consumers about the quality of their insurance protection, the cycle will continue.

United Policyholders (“UP”) is a non-profit 501(c)(3) organization founded in 1991 that helps solve insurance problems and that advocates for fairness in insurance transactions. Through the *Advocacy and Action* program, UP advocates for policyholders' legal rights by filing amicus curie briefs and working with elected officials in legislative and regulatory proceedings. Through a *Roadmap to Recovery*[™] program, UP helps disaster victims recover fair insurance settlements and find qualified professional help. Through a *Roadmap to Preparedness* program, UP promotes disaster preparedness and insurance literacy through outreach and education in partnership with civic, faith based, business and other non-profit associations. United Policyholders' work is funded by donations and grants from individuals, businesses and foundations.

United Policyholders requests a “yes” vote on AB 2022.

Sincerely,

A handwritten signature in black ink that reads "Amy Bach". The signature is written in a cursive, flowing style.

Amy Bach, Executive Director