

March 10, 2020

Senator Bill Dodd
California State Senate
State Capitol, Room 5063
Sacramento, CA 95814

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™*

Re: SB 872 – STONGLY SUPPORT

Dear Senator Dodd:

We write in support of the above referenced bill on behalf of the disaster victims and consumers we serve and represent. SB 872 will update California’s post-disaster claim handling rules to include “voluntary” reforms that have become standard practice and that expedite the flow of repair and rebuilding funds to victims. United Policyholders supported these reforms when they were first agreed to by leading insurers in 2007, and we have been monitoring their effect through our post-disaster surveys. It is clear these practices are helpful and insurers are already largely implementing them.¹

Under this bill, all insurers will advance benefits to cover the first four months of temporary rent and a portion of the household’s coverage for replacing destroyed property such as furniture, clothing and cooking supplies. These funds are especially important for dislocated, cash-strapped households. The bill will also ensure full and fair payouts to households that buy instead of rebuild their replacement home and deserve full value from their insurance policies. Current law gives them the right to collect full replacement cost benefits regardless of whether they buy or rebuild, but some insurers are withholding arbitrary sums from those who don’t want to or can’t rebuild.

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 In the aftermath of a disaster, local housing tends to be in high demand and short supply. Procuring temporary housing is expensive and often requires a large outlay of capital. 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. SB 872 will help insureds get situated in temporary housing via an advance of four months of rent or the fair rental value of their destroyed home. A payment of four months of living expenses up front will lessen the chance a homeowner has to scrape up funds and wait for their insurer to reimburse them. The upfront payment of four months of additional living expenses grants insureds a benefit they have already paid for and are owed, but in a timelier fashion than currently provided. Additionally, SB 872 grants more financial relief in the immediate aftermath of a disaster by granting a 60-day grace period for payment of policy premiums. This new code section again considers financial realities and concerns insureds immediately face, which primarily include finding and affording food and shelter while grieving and displaced.

Providing Immediate Financial Relief to Replace Personal Property Essentials

Finding adequate housing is only one small step in the recovery marathon. Insureds very quickly realize, if they didn't already anticipate, that one of the next steps after losing a home is to replace necessary personal property.³ This includes replacing toiletries, medications, cooking supplies, bedding, and clothes, among other immediate needs, as soon as possible. Putting "luxury" personal property aside (i.e. a television), the necessities alone quickly add up to thousands of dollars. SB 872 grants the insured an initial advance payment of no less than 25 percent of the policy limit for personal property without the completion of an inventory. Requiring this advance payment from insurers will be especially beneficial to those insureds who do not have the available financial resources to pay for these necessities themselves, even though they will be reimbursed by insurance proceeds later. This initial payment helps people start replacing personal property and is a practice that many insurers already employ. Submittal of an inventory to collect insurance proceeds is an evidentiary safeguard, but in the context of a total loss, having to pay only a quarter of the personal property limit without an inventory is a small enough portion to eliminate the fear that this provision will be exploited for fraudulent purposes. In many cases, insurers will still require an inventory list before paying out the full personal property limits. This provision in SB 872 codifies an important voluntary claim handling practice that will improve payouts to insureds they that they are entitled to and will not prejudice insurers.

Reducing Burdensome Personal Property Inventory Requirements

As an insured gets deeper into an insurance recovery, various hardships can arise. One of the most challenging and tedious aspects of collecting insurance benefits is completing an itemized, detailed personal property inventory to recover the remaining monies owed. 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.⁴ But in a total loss scenario where everything is gone, it is inefficient and punitive for insurers to enforce this laborious requirement.

SB 872 will substantially lighten the load on disaster survivors, in regard to preparing their contents inventories, by prohibiting insurers from requiring the inventory to be 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 to insureds by allowing grouping of categories of personal property. The ability to group 100 DVDs into a single inventory line items saves insureds hours when the alternative is to individually list each DVD title and assign a price. 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. Most insurers are already following these practices in their current claim handling in California.

Providing a Fair Market Value Option In Lieu of incurred Rent Expenses

When insurers don't abide by the Voluntary Claim Handling Reforms, they require their customers to spend funds out of their own pocket for temporary rent and other loss of use expenses, then submit receipts for reimbursement.⁵ SB 872 gives the insured an option to collect the monthly fair rental value of the dwelling, in a furnished condition, in lieu of submitting itemized expenses. This option adds flexibility to the claim process and reduces the windfall an insurer gets when customers forget or are too busy to submit multiple receipts every day.

Enforcing 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 construction process and replace their destroyed home by buying one elsewhere instead. This body 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 upgrades that would have been required to comply with local building codes, and extended coverages.⁶

However, *some* insurers are continuing to withhold a portion of benefits by deducting the value of land under the purchased home from the amount they pay the insured in settlement of their dwelling claim. We have been persistent in urging insureds to push back and fight against the land value deduction, which has never been on firm legal ground to begin with.⁷ SB 872 will resolve this issue once and for all by prohibiting insurers from forcing their insureds to buy lesser value dwellings, borrow money or come up with cash out of their own pockets. This provision eliminates an unfair and troublesome deduction often not discovered by insureds until they've already found a home of similar value and need to close escrow. Homeowners should not be penalized for exercising their clear legal right to replace a destroyed home by buying one of comparable value. SB 872 will remedy this situation.

United Policyholders

"We" are United Policyholders ("UP"). 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 for handling the claim process. UP has been advocating for California insureds, including wildfire survivors, since the 1991 Oakland-Berkley Firestorm. UP has devoted significant time and resources over the past few years advocating to local and state officials that the changes SB 872 proposes are needed and beneficial.

Thank you for your time and consideration on this important matter.

Sincerely,



Amy Bach,
Executive Director

cc: Sen. Susan Rubio
Hugh Slayden
Brian Flemmer

Endnotes

¹ See <https://www.uphep.org/roadmap-recovery-surveys>.

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

³ See UP's Home Inventory and Contents Claim Tips: <https://www.uphelp.org/pubs/home-inventory-and-contents-claim-tips>

⁴ See UP's Contents Claim Help page: <https://www.uphelp.org/guide/contents-claim-help>

⁵ As SB 872 outlines, ALE benefits may provide for all reasonable expenses incurred to maintain a comparable standard of living, i.e. housing, furniture rental, food, transportation storage, and boarding pets

⁶ See CA Ins. Code §2051.5

⁷ See UP's stance on the land value deduction in Buy Or Rebuild: <https://www.uphelp.org/pubs/buy-or-rebuild>