



June 13, 2018

To: Honorable Tom Daly, Chair
Assembly Insurance Committee

Re: SB 894 (Dodd) Property Insurance
Oppose Unless Amended

The above listed associations (The “Trades”), represent the majority of the homeowners’ insurance market share in California. We respectfully maintain our position of Oppose Unless Amended to SB 894 by Senator Bill Dodd.

SB 894 allows insureds to combine policy coverages for the primary dwelling, other structures, and contents; and provides that the insured may use the combined amounts for any of the covered expenses reasonably necessary to rebuild or replace the dwelling, structures, or contents. It also requires longer periods of eligibility for additional living expenses (ALE) in certain circumstances, even though this would amount to a 50% or more increase in the policy limit for policies with no dollar cap on benefits. Finally, the bill is silent on whether or these additional benefit mandates would apply to claims that pre-date its enactment, which invites litigation and leaves open the possibility of interfering with pre-existing contracts for which pricing has already been established on the assumption of being honored as written.

While we understand the intent of the author is to provide more flexibility for consumers, SB 894 may result in unintended consequences that could include increases in insurance premiums. Or, due to insufficient premiums, insurers (who must manage their risk profile in order to pay future claims) could reduce exposure by reducing policy offerings, which could then lead to availability problems. In addition, due to the possibility that consumers may purchase lower dwelling limits if they know they can combine coverages, this bill may inadvertently create a problem that other bills are trying to address: the problem of underinsurance.

As an alternative approach, we propose the below concepts, which we believe accomplish the author’s goal of providing additional flexibility to consumers in their insurance claim payouts following a declared disaster, which would cause less of the unintended consequences mentioned above.

Proposed concepts:

- *Limit Section 2 to policies that have a dollar cap for ALE benefits, and make other minor changes to clarify when extensions for ALE would apply.*
- *Limit Section 3 to structure coverages only. That is, if the Coverage A limit is insufficient to pay for the loss to the primary dwelling, allow the insured to collect full replacement cost for the loss under Coverage B (other structures, like detached garages and sheds), so long as those other structures are for non-commercial use and are not left in an unsafe state of disrepair.*
- *Make Sections 2 and 3 applicable to losses occurring on or after the effective date of the bill.*

Unfortunately, the bill as passed by the Senate does not include these changes and we must remain respectfully **oppose unless amended**.

Should you have any questions, please contact Kara Cross, Personal Insurance Federation of California ([916-442-6646](tel:916-442-6646)/kcross@pifc.org); Katherine Pettibone, American Insurance Association ([916-873-3677](tel:916-873-3677)/kpettibone@aiadc.org); or Christian Rataj, National Association of Mutual Insurance Companies ([303-907-0587](tel:303-907-0587)/crataj@namic.org)

cc: Honorable Bill Dodd, Member, California State Senate
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