



## **SENATE FLOOR ALERT SB 894 (Dodd) – Opposed**

The above listed associations (The “Trades”), represent the majority of the homeowners’ insurance market share in California. Unfortunately, we are opposed to SB 894 by Senator Bill Dodd.

SB 894 allows insureds to combine policy coverages for the primary dwelling, other structures, and contents; and provide 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.

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 for insurers who must manage their risk in order to pay future claims, insurers could reduce exposure by reducing policy offerings, which could then lead to availability problems. In addition, this bill may inadvertently create a problem that others are trying to address: the problem of underinsurance.

As an alternative approach, the Trades have proposed 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, without causing the unintended consequences mentioned above.

*Proposed concepts: In the event of a total loss following a state of emergency declared disaster, if the insured’s Coverage A (dwelling—the house) is insufficient to cover the necessary rebuild and repair costs, the insured may collect full replacement cost for the loss under Coverage B (other structures, like detached garages and sheds), so long as there were also Coverage B structure total losses.*

In addition to the above concept, the proposed amendments also require more specification relating to the 12-month extension of coverage for additional living expenses, and other minor clarifications. We appreciate the many conversations and meetings held on this bill to date. Unfortunately, our alternative proposals have not been accepted and we must remain respectfully opposed.

**For all these reasons, we urge your NO vote on SB 894.**