



# Personal Insurance Federation of California

California's Personal Lines Trade Association

REPRESENTING THE LEADING AUTOMOBILE AND HOMEOWNERS INSURERS

State Farm • Farmers • 21st Century Insurance Group • SAFECO • Progressive • NAMIC

## MEMORANDUM

### STAFF

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*Director of Communications*

**Date:** May 13, 2005

**To:** The Honorable Carole Migden, Chair  
Members, Senate Appropriations Committee

**From:** Dan C. Dunmoyer, President  
Rex D. Frazier, Vice President & General Counsel  
Michael A. Gunning, Senior Legislative Advocate  
Michael A. Paiva, Senior Legislative Advocate

**Re:** SB 518 (Kehoe): Homeowners' Insurance: Insurance Adjusters  
As Amended May 10, 2005  
Senate Appropriations Committee: May 16, 2005  
**PIFC Position: Oppose Unless Amended**

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The Personal Insurance Federation of California (PIFC), representing insurers who write 50% of all homeowners' insurance sold in California, **opposes SB 518 authored by Senator Kehoe unless amended** to address our concerns.

SB 518, among other things, makes a number of changes to the way homeowners' insurers provide insurance in the state of California. Although there are sections of this measure that we believe are supportable, there are a number of other sections that will add substantial cost and complexity to the delivery of homeowners' insurance in California. For this reason, we are opposed unless amended.

Below is a more detailed analysis of our concerns by section.

**Section 1 – Requirement to Provide Copy of Insurance Policy.** PIFC believes that the requirement in SB 518 for an insurer to provide a free copy of an insured's policy, including the policy's declaration page, all endorsements, and riders, is a reasonable request if the timeframe allotted for this request is expanded and is documented in writing. Specifically we believe that in a single fire loss, 30 days would be an appropriate timeframe. In a total loss scenario associated with a Governor or federally declared disaster, 60 days would be the more appropriate timeframe. Because of the complexity of many policies, including individualized endorsements, much of this will have to be done by hand. **In a post-disaster situation, we believe that it is a more effective use of company claim adjusters' time and expertise to be assisting disaster victims in the initial stages of recovery, rather than immediately retrieving individual policies and endorsements.** This does not mean that a consumer will not receive adequate and full coverages during that timeframe because every policy provides a minimum additional living expense (ALE) as well as an amount for rebuilding the home. It does however provide the necessary time for the insurer to directly assist the victims of the loss as well as provide them a copy of their coverages.

With the extension of time and a provision for the request to be in writing, we would be supportive of this section.

As a final note, we are requesting that, except for a circumstance following a total loss, an insurer be allowed to charge a reasonable fee to pay for the costs associated with the actual cost of producing the policy documents.

**Section 2 – Extension of Additional Living Expense (ALE) Timeframe.** Section 2 clarifies that in the case of a Governor declared disaster the insurer should not be allowed to place a time limit of less than 24 months from the date of loss for an insured to receive coverage for additional living expenses.

We believe there needs to be some obligation on the part of the policyholder to take some steps to actually rebuild their home or at least commit to rebuild their home. To provide “no time limit of less than” 24-months of ALE when the consumer knows they will not rebuild their home is an excessive benefit. Furthermore, we have concerns that two neighbors similarly situated with similar coverages may elect to build homes different from what was lost and may unfairly be provided different reimbursements. One consumer may elect to rebuild an existing home; the other to rebuild a new and much larger home. The first homeowner may find their plans approved instantly, the second may take months in the process of developing architectural designs and obtaining approval from the Planning Commission. We believe that this additional time should be borne by the insured if in fact he or she is not rebuilding a similar home. With the modifications and clarification of both consumer obligation and limitation of coverages, we can remove our opposition.

For the reasons stated above, **PIFC opposes SB 518 (Kehoe) unless amended** to address our concerns. If you have any questions, please contact Dan Dunmoyer at (916) 442-6646.

cc: Senator Kehoe, Author  
Maureen Ortiz, Senate Appropriations Committee  
Doug Carlile, Senate Republican Caucus  
Cynthia Bryant, Deputy Legislative Secretary for the Governor  
Scott Reid, Office of the Insurance Advisor  
Senate Floor Analyses

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