April 8, 2025

The Honorable Susan Rubio, Chair
The Honorable Roger Niello, Vice Chair
California State Senate Insurance Committee

Re: **SB 495 – Contents Coverage / Reinsurance Data Call**
Position: Oppose

Dear Chair Rubio, Vice Chair Niello and Members of the Committee:

The American Property Casualty Insurance Association (APCIA), the National Association of Mutual Insurance Companies (NAMIC), the Pacific Association of Domestic Insurance Companies (PADIC) and the Personal Insurance Federation of California (PIFC), collectively known as the “trades”, are **opposed to SB 495** which would require insurers to pay 100% of a policy’s content coverage without an inventory and impose burdensome reporting requirements of confidential information on insurers.

<u>100% Contents Coverage without an Inventory</u>

SB 495 would require insurers to pay 100% of contents coverage without an inventory after their home is destroyed by wildfire. Additionally, this bill as outlined will give consumers additional time, at least 180 days, to provide proof of their loss to their insurance company following a declared state of emergency.

California residents are clearly concerned about the cost of living, and insurers have become constrained in their ability to provide coverage to homeowners because of outdated rate setting rules that will be improved through Commissioner Lara’s Sustainable Insurance Strategy (SIS). SB 495 would drastically increase the cost of insurance because it requires payments that are far in excess of what they actually lost in personal property. These large overpayments will show up in the form of higher rates for all consumers. The bill will also create different payments between similarly situated consumers which is generally prohibited in insurance law.

How it Works

Under a traditional insurance policy, a premium is paid by the policyholder to an insurance company in exchange for the promise that the insurance company will cover an actual loss incurred due to a covered incident or peril. In the event of a loss, the insurance company makes a payment to the policyholder after the loss is assessed and makes the insured “whole”, meaning “indemnify them”, by putting them in the position they were prior to the incident, subject to the specific terms of the policy.

Under a typical homeowners insurance policy, dwelling coverage pays for damage to the house and attached structures, while contents coverage pays the value of damaged or lost possessions (e.g., furniture, electronics, clothing). Currently, most insurers offer contents coverage as a percentage of the total dwelling coverage limits – generally in the range of 40%-70%. To help illustrate, if a homeowners insurance policy has dwelling coverage limits of $500,000, this could translate to the following coverage limits for contents:

1. Example policy A: **$350,000** (if contents coverage is **70%** of the dwelling coverage)
2. Example policy B: **$250,000** (if contents coverage is **50%** of the dwelling coverage)
3. Example policy C: **$200,000** (if contents coverage is **40%** of the dwelling coverage)

The Issue

AB 3012 (2020) already addressed the issue SB 495 seeks to fix by requiring 30% of dwelling coverage up to $250,000. As noted in the AB 3012 (2020) committee analysis:

> *One of the major complaints policyholders have made after disasters is the requirement that, in order to obtain full replacement value for personal property, a full itemization must be completed and then the items be actually replaced. AB 3012 is* ***intended to offer policyholders an approximation of what a normal claim would be*** *without need to comply with the itemization and actual replacement requirements,* ***while maintaining policyholders' rights to full recovery under the policy terms if the policyholder has a greater claim value*** *than the "no itemization" formula.*

Under the provisions of AB 3012, all similarly situated policyholders receive the same amount of contents coverage. For example, two neighbors who both have Coverage A amounts of $1 million would receive $300,000 in contents coverage without having to do an inventory. This ensures equity for insureds and a fair, even competitive marketplace for insurers.

Under the provisions of SB 495, the same policyholders could get vastly different contents coverage payments based on how their insurance companies determine contents coverage. People living next to each other in identical houses could get vastly different contents coverage.

The trades are opposed to SB 495 because it will make insurance significantly more expensive for millions of Californians at a time families are already struggling with the high cost of living, and it would result in serious inequities between similarly situated consumers.

Sincerely,

American Property Casualty Insurance Association: Mark Sektnan, mark.sektnan@apci.org
National Association of Mutual Insurance Companies: Christian Rataj, crataj@namic.org
Pacific Association of Domestic Insurance Companies: Shari McHugh, smchugh@mchughgr.com
Personal Insurance Federation of California: Seren Taylor, staylor@pifc.org