AMENDED IN ASSEMBLY MAY 11, 2020

AMENDED IN ASSEMBLY MAY 4, 2020

california legislature—2019–20 regular session

ASSEMBLY BILL No. 3012

Introduced by Assembly Members Wood and Daly

February 21, 2020

An act to amend Sections 678, 2051.5, 2060, 10095, and 10103.7 of the Insurance Code, relating to insurance.

legislative counsel's digest

AB 3012, as amended, Wood. Residential property insurance.

Existing law generally regulates classes of insurance, including fire and property insurance. Existing law requires a residential property insurer to allow an insured that has suffered a loss relating to a declared state of emergency to combine the policy limits for primary dwelling and other structures, and to use the combined amount to rebuild or replace the dwelling, as specified. Existing law requires a policy to provide coverage for additional living expenses for a period of no less than 24 months from the inception of the loss, for a loss relating to a state of emergency. Existing law prohibits, in the event of a total loss of the insured structure, a policy from limiting or denying payment of the building code upgrade cost or the replacement cost on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location.

For a total loss of a furnished residence related to a declared state of emergency, this bill would require an insurer to provide a payment for contents of no less than 30% of the policy limit, as specified, without requiring an itemized claim. For a covered loss relating to a state of emergency, the bill would prohibit a policy that provides coverage for additional living expenses from limiting the policyholder's right to recovery if the insured home is not inhabitable or otherwise usable, as ~~specified.~~ *specified, but would authorize an insurer to provide an alternative remedy that addresses the property condition that precludes habitation.* The bill would require the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location to be the amount that would have been recoverable had the insured dwelling been rebuilt, without deduction for the value of land at the new location.

Existing law requires the Insurance Commissioner to establish the California Home Insurance Finder on the Department of Insurance internet website to connect homeowners in need of insurance assistance to an insurance agent or broker for residential property insurance. Under existing law, the California FAIR Plan Association, a joint reinsurance association in which all insurers licensed to write basic property insurance participate, administers a program for the equitable apportionment of basic property insurance for persons who are unable to obtain that coverage through normal channels. Existing law requires an insurance agent or broker to assist a person to obtain property insurance coverage by one of several specified methods.

This bill would require a notice of nonrenewal for a residential property insurance policy expiring on or after July 1, 2021, to be accompanied by a ~~document that includes specified information, including~~ *specified statement that includes* an explanation of how the California Home Insurance Finder can help a person find a homeowners' insurance policy and information about FAIR Plan policies. The bill would require the California FAIR Plan Association, on or before July 1, 2021, to develop and implement a clearinghouse program to help reduce the number of existing FAIR Plan policies and provide the opportunity for admitted insurers to offer homeowners' insurance policies to FAIR Plan policyholders.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 678 of the Insurance Code is amended to read:

678. (a) At least 45 days before policy expiration, an insurer shall deliver to the named insured or mail to the named insured at the address shown in the policy, either of the following:

(1) An offer of renewal of the policy contingent upon payment of premium as stated in the offer, stating each of the following:

(A) Any reduction of limits or elimination of coverage.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the renewal offer.

(2) A notice of nonrenewal of the policy. That notice shall contain all of the following:

(A) The reason or reasons for the nonrenewal.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the notice of nonrenewal.

(C) Until July 1, 2020, a brief statement indicating that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the telephone number of the unit within the department that responds to consumer inquiries and complaints.

(D) On or after July 1, 2020, a statement that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the department's internet website, www.insurance.ca.gov, the department's telephone number, (800) 927-HELP (4357), and the mailing address of the department's Consumer Services Division, 300 S. Spring Street, Los Angeles, CA 90013.

(b) If an insurer fails to give the named insured either an offer of renewal or notice of nonrenewal as required by this section, the existing policy, with no change in its terms and conditions, shall remain in effect for 45 days from the date that either the offer to renew or the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the policy or the notice of renewal or nonrenewal.

(c) Notwithstanding subdivisions (a) and (b), with respect to a notice of nonrenewal for a policy that expires on or after July 1, 2020, the following timelines apply:

(1) At least 75 days before the policy expiration, the insurer shall deliver the notice of nonrenewal to the named insured or mail the notice of nonrenewal to the named insured at the address shown in the policy. The notice shall include the information contained in paragraph (2) of subdivision (a).

(2) If an insurer fails to give the named insured a notice of nonrenewal at least 75 days prior to the policy expiration, as required by paragraph (1), the existing policy, with no change in its terms and conditions, shall remain in effect for 75 days from the date that the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the notice of nonrenewal.

(d) A policy written for a term of less than one year shall be considered as if written for a term of one year. A policy written for a term longer than one year, or a policy with no fixed expiration date, shall be considered as if written for successive policy periods or terms of one year.

(e) A notice of nonrenewal for a policy expiring on or after July 1, 2021, shall be accompanied by ~~a document that includes the following:~~ *the following notice:*

~~(1) An explanation of how the California Home Insurance Finder, established pursuant to Section 10095.7, can help the homeowner find a homeowners' insurance policy.~~

~~(2) Information regarding coverage offered by the California FAIR Plan Association and the process to apply for a FAIR Plan policy.~~

~~(3) An explanation of the obligation of an agent or broker to assist the homeowner to apply to the California FAIR Plan Association, pursuant to Section 10095.5.~~

~~(4) Information regarding the availability of supplemental insurance for FAIR Plan policyholders.~~

The California Department of Insurance has developed the California Home Insurance Finder, an online tool that can assist you in obtaining insurance for your property. The Finder contains names, addresses, phone numbers, and internet website links of licensed insurance agents, brokers, and insurance companies *organized by ZIP Code and languages in which the agent, broker, or insurance company transacts insurance.*

The California FAIR Plan (FAIR Plan) is mandated by state law to provide basic fire insurance as the "insurer of last resort" to those who cannot find insurance coverage for their property in the regular market. The FAIR Plan provides basic fire insurance coverage for residential and commercial structures, as well as personal property coverage for residential and business occupancies. However, FAIR Plan policies do not cover liability, theft, or water damage, among other things. There are also optional coverages available for both residential and commercial properties. Applications can be made directly with the FAIR Plan (cfpnet.com), although the FAIR Plan strongly encourages use of a licensed agent or broker for assistance in preparing and obtaining a quote. There is no additional cost for using an agent or broker.

California law requires an agent or broker to assist a person seeking a FAIR Plan policy by (1) submitting a coverage application to the FAIR Plan on behalf of the consumer, (2) providing the consumer with contact information for the FAIR Plan, or (3) obtaining a policy for the consumer through an admitted or nonadmitted insurer.

To supplement a FAIR Plan Dwelling policy, a Difference in Conditions (DIC) policy should be considered. A DIC policy is sold by private insurers, and provides coverage for things not covered by the basic fire insurance policy provided by the FAIR Plan. A consumer who wants broader coverage than that provided by the FAIR Plan policy should contact an agent, broker, or insurance company that offers a DIC policy to obtain this extended coverage. The Department of Insurance maintains a list of insurance companies that sell DIC policies on its internet website (insurance.ca.gov). Additional assistance may be obtained by contacting an agent or broker listed with the Department's online Finder.

(f) An insurer may use a notice substantially similar to the notice set forth in subdivision (e) to the extent that the notice provides additional or more detailed information.

~~(f)~~

(g) This section applies only to policies of insurance specified in Section 675.

SEC. 2. Section 2051.5 of the Insurance Code is amended to read:

2051.5. (a) (1) Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or replace the thing lost or injured, without a deduction for physical depreciation, or the policy limit, whichever is less.

(2) If the policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer shall pay the actual cash value of the damaged property, as defined in Section 2051, until the damaged property is repaired, rebuilt, or replaced. Once the property is repaired, rebuilt, or replaced, the insurer shall pay the difference between the actual cash value payment made and the full replacement cost reasonably paid to replace the damaged property, up to the limits stated in the policy.

(b) (1) (A) A time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall not be placed upon an insured in order to collect the full replacement cost of the loss, subject to the policy limit.

(B) In the event of a loss relating to a "state of emergency," as defined in Section 8558 of the Government Code, a time limit of less than 36 months from the date that the first payment toward the actual cash value is made shall not be placed upon the insured in order to collect the full replacement cost of the loss, subject to the policy limit.

(C) This section does not prohibit an insurer from allowing the insured additional time to collect the full replacement cost.

(2) An insurer shall provide to a policyholder one or more additional extensions of six months for good cause pursuant to subparagraph (A) or (B) of paragraph (1) if the insured, acting in good faith and with reasonable diligence, encounters a delay or delays in approval for, or reconstruction of, the home or residence that are beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.

(c) (1) In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location.

(2) Notwithstanding any other law, the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location shall be the amount that would have been recoverable had the insured dwelling been rebuilt, and a deduction for the value of land at the new location shall not be permitted from that measure of damages.

(d) This section does not prohibit an insurer from restricting payment in cases of suspected fraud.

(e) (1) On and after July 1, 2005, and only until July 1, 2019, all policy forms used by an insurer shall be in compliance with this section, except for the changes made to this section by the act that added paragraph (2).

(2) On and after July 1, 2019, all policy forms issued or renewed by an insurer shall comply with this section in its entirety, including the changes made to this section by the act that added this paragraph.

SEC. 3. Section 2060 of the Insurance Code is amended to read:

2060. (a) In the event of a loss under a homeowners' insurance policy for which the insured has made a claim for additional living expenses, the insurer shall provide the insured with a list of items that the insurer believes may be covered under the policy as additional living expenses. The list may include a statement that the list is not intended to include all items covered under the policy, but only those that are commonly claimed, if this is the case. If the department develops a list for use by insurers, the insurer may use that list

(b) (1) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, coverage for additional living expenses shall be for a period of no less than 24 months from the inception of the loss, but shall be subject to other policy provisions. An insurer shall grant an extension of up to 12 additional months, for a total of 36 months, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work. Additional extensions of six months shall be provided to policyholders for good cause.

(2) A policy that provides coverage for additional living expenses subject to this subdivision shall not limit the policyholder's right to recovery if the insured home is not inhabitable or otherwise usable as a dwelling due to orders from appropriate authorities affecting access to the property, or conditions affecting habitability, such as smoke or smoke damage, a lack of power or water, or other conditions or services necessary to the normal use of the dwelling. *However, an insurer may, as an alternative to making living expense payments, provide an alternative remedy that addresses the property condition that precludes habitation.*

SEC. 4. Section 10095 of the Insurance Code is amended to read:

10095. (a) Within 30 days following the effective date of this chapter, the association shall submit to the commissioner, for the commissioner's review, a proposed plan of operation, consistent with this chapter, creating an association consisting of all insurers licensed to write and engaged in writing in this state, on a direct basis, basic property insurance or any component of basic property insurance in homeowners or other dwelling multiperil policies. An insurer described in this subdivision shall be a member of the association and shall remain a member as a condition of its authority to transact those kinds of insurance in this state.

(b) The proposed plan shall authorize the association to assume and cede reinsurance on risks written by insurers in conformity with the program.

(c) Under the plan, an insurer shall participate in the writings, expenses, and profits and losses of the association in the proportion that its premiums written during the second preceding calendar year bear to the aggregate premiums written by all insurers in the program, excluding that portion of the premiums written attributable to the operation of the association. Premiums written on a policy of basic residential earthquake insurance issued by the California Earthquake Authority pursuant to Section 10089.6 shall be attributed to the insurer that writes the underlying policy of residential property insurance.

(d) The plan shall provide for administration by a governing committee under rules to be adopted by the governing committee with the approval of the commissioner. Voting on administrative questions of the association and facility shall be weighted in accordance with each insurer's premiums written during the second preceding calendar year as disclosed in the reports filed by the insurer with the commissioner.

(e) The plan shall provide for a plan to encourage persons to secure basic property insurance through normal channels from an admitted insurer or a licensed surplus line broker by informing those persons what steps they must take in order to secure the insurance through normal channels.

(f) The plan shall be subject to the approval of the commissioner and shall go into effect upon the tentative approval of the commissioner. The commissioner may, at any time, withdraw tentative approval or the commissioner may, at any time after giving final approval, revoke that approval if the commissioner feels it is necessary to carry out the purposes of the chapter. The withdrawal or revocation of that approval shall not affect the validity of any policies executed before the date of the withdrawal. If the commissioner disapproves or withdraws or revokes their approval to all or any part of the plan of operation, the association shall, within 30 days, submit for review an appropriately revised plan or part of a revised plan, and, if the association fails to do so, or if the revised plan is unacceptable, the commissioner shall promulgate a plan of operation or part of a plan as the commissioner may deem necessary to carry out this chapter.

(g) The association may, on its own initiative or at the request of the commissioner, amend the plan of operation, subject to approval by the commissioner, who shall have supervision of the inspection bureau, the facility, and the association. The commissioner, or any person designated by the commissioner, shall have the power of visitation of and examination into the operation and free access to all the books, records, files, papers, and documents that relate to operation of the facility and association, and may summon, qualify, and examine as witnesses all persons having knowledge of those operations, including officers, agents, or employees thereof.

(h) An insurer member of the plan shall provide to an applicant who is denied coverage, or a policyholder whose policy is canceled or not renewed, the internet website address and statewide toll-free telephone number for the plan established pursuant to Section 10095.5 for the purpose of obtaining information and assistance in obtaining basic property insurance.

(i) To reduce the association's concentration and number of policies, and to encourage maximum use of the normal insurance market consistent with subdivision (c) of Section 10090, the association shall develop and implement a clearinghouse program on or before July 1, 2021, to help reduce the number of existing FAIR Plan policies and provide the opportunity for admitted insurers to offer homeowners' insurance policies to FAIR Plan policyholders.

SEC. 5. Section 10103.7 of the Insurance Code is amended to read:

10103.7. (a) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, an insured under a residential property insurance policy shall be permitted to combine payments for claims for losses up to the policy limits for the primary dwelling and other structures, for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the policy limits for coverage to rebuild or replace the primary dwelling are insufficient. Any claims payments for losses pursuant to this subdivision for which replacement cost coverage is applicable shall be for the full replacement value of the loss without requiring actual replacement of the other structures or contents. Claims payments for other structures in excess of the amount applied towards the necessary cost to rebuild or replace the damaged or destroyed dwelling shall be paid according to the terms of the policy.

(b) (1) In the event of a covered total loss of a primary dwelling under a residential property insurance policy resulting from a state of emergency, as defined in Section 8558 of the Government Code, if the residence was furnished at the time of the loss, the insurer shall offer a payment under the contents coverage in an amount no less than 30 percent of the policy limit applicable to the covered dwelling structure, up to a maximum of two hundred fifty thousand dollars ($250,000), without requiring the insured to file an itemized claim.

(2) After receiving the payment described in paragraph (1), the insured may recover additional amounts up to the policy limit for contents coverage by filing a claim pursuant to the terms of the policy for the loss of contents that exceeds the value of the payment provided pursuant to paragraph (1).

(3) When an insured files a claim relating to a state of emergency, as defined in Section 8558 of the Government Code, the insurer shall notify the insured of the option to receive payment for loss of contents pursuant to paragraph (1) and of the insured's option to subsequently file a full itemized claim pursuant to paragraph (2).

(4) This subdivision does not affect payment under the policy for scheduled personal property.

(5) This section does not prohibit an insurer from restricting payment in cases of suspected fraud.

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Date of Hearing: May 7, 2020

ASSEMBLY COMMITTEE ON INSURANCE
Tom Daly, Chair
AB 3012 (Wood) – As Amended May 4, 2020

SUBJECT: Residential property insurance

SUMMARY: Improves policyholder rights with respect to wildfire insurance claims, and addresses other wildfire related issues. Specifically, **this bill**:

1) Provides that a policy that covers additional living expenses (ALE) shall not limit a claim if the home is not inhabitable or otherwise usable due to orders from appropriate public authorities limiting access to the property, or conditions that affect habitability that preclude the normal use of the home.

2) Clarifies that the measure of damage for a policyholder who chooses to purchase or rebuild at a different location from the insured home is the full amount that would have been recoverable if the home were to be rebuilt at the insured location.

3) Establishes an exception to typical insurance policy language that requires policyholders to itemize personal property losses and actually replace the destroyed items before being entitled to receive the full replacement value of the property. In the case of a total loss caused by a wildfire which is a declared emergency, the policyholder would be entitled to recover up to 30% of the dwelling structure coverage, up to $250,000, without inventory or actual replacement.

4) Allows a policyholder to fully itemize and comply with other policy provisions if personal property losses from the wildfire exceed the amount obtainable through the formula, above.

5) Requires a notice of nonrenewal of a homeowners' insurance policy to include a notice that contains the following:

   a) An explanation of how to access and use the California Home Insurance Finder, a tool on the Department of Insurance website designed to assist homeowners to find insurance;

   b) Information about the California FAIR Plan, the "insurer of last resort" for property owners unable to find insurance from a private insurer, including how to contact the FAIR Plan and agent or broker duties to provide assistance

   c) Information about additional coverages that the bare bones FAIR Plan policy does not provide.

6) Directs the Fair Plan to implement a clearinghouse program whereby property insurers will be provided information about FAIR Plan policies, for the purpose of encouraging those insurers to offer regular private insurance to FAIR Plan policyholders.

EXISTING LAW:

1) Requires a notice on nonrenewal of a homeowners' insurance policy to be delivered at least 75 days prior to the expiration date of the policy.

2) Establishes the California FAIR Plan Association, and requires it to provide "basic property insurance" to property owners who are unable to procure insurance in the normal market.

3) Authorizes a policyholder who suffers a total loss to buy or rebuild at a place other than the insured property location.

4) Requires additional living expense coverage to be available for 24 months, with additional 6 month extensions for good cause.

5) Allows insurers to sell "actual cash value" or "replacement cost" insurance, but does not require replacement cost insurance or limit the terms and conditions that apply to replacement cost insurance.

FISCAL EFFECT: This bill has been determined by Legislative Counsel to be non-fiscal.

COMMENTS:

1) *Purpose*. According to the author, this bill is part of the continuous evaluation of the homeowners' insurance market that has become stressed as a result of the unprecedented number of catastrophic wildfires in recent years. The bill proposes several improvements to the rules governing homeowners' insurance that address both claims and access to insurance issues. In addition, the bill proposes that the FAIR Plan develop a "clearinghouse" whereby its book of business will be made available to member insurers for the purpose of those insurers voluntarily offering a policy to the FAIR Plan policyholder.

2) *Additional living expenses*. Catastrophic wildfires present several unique challenges for policyholders that do not arise in cases of one-off total losses. The Legislature has recently addressed some of these issues by extending the duration of coverage because rebuilding in a disaster zone takes so long, for a variety of reasons. The recent Camp Fire highlighted additional consumer problems, specifically civil authorities refusing to allow homeowners to return to their homes even if they did not burn, and water systems destroyed and incapable of delivering this basic necessity to those homes. Even without direct damage to these homes, the residents as a direct result of the wildfire could not live there. Because some insurers concluded these conditions do not constitute covered losses, the bill provides that a policy cannot limit ALE if the home is unusable for these reasons.

   Insurers have opposed this provision because it will have the effect of increasing costs in an environment where consumers can ill-afford cost increases. In addition, insurers have requested an amendment to this provision to allow them to "cure" a habitability problem rather than cover living expenses elsewhere. For example, if electric service has been damaged, the insurer may wish for provide a generator to return the home to habitability rather than pay for lodging elsewhere.

   The Committee may wish to consider an amendment that provides: "However, an insurer may, as an alternative to making living expense payments, provide an alternative remedy that addresses the property condition that precludes habitation."

3) *Measure of damages when relocating*. Existing law provides policyholders have the right to buy or rebuild a total loss home at a different location, and includes language describing the measure of damages to which the policyholder is entitled to receive. That language is

susceptible of more than 1 interpretation, and some insurers have read the statute to allow a deduction for "land value." A hypothetical claim will be helpful in understanding what the bill is designed to accomplish. A wildfire destroys policyholder's home. If policyholder rebuilt on-site, the insurer would have to pay the claim of $500,000. Policyholder wants to relocate, as expressly authorized by law. Policyholder buys a new home for $500,000 at a different location. Insurer offers to pay only $400,000, because the new home at the new location is valued as $400,000 for the structure, and $100,000 for the land. While it is true that property insurers do not insure "land value," this interpretation of the statute with respect to the measure of the policyholder's loss is at odds with both logic and the reasonable understanding of the parties that drafted the current statute. The bill simply provides that the measure of damages is the full amount the insurer would have paid if the rebuild was on site, and it is the policyholder's right to decide where to spend it.

4) *Contents itemization*. 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. The bill 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.

5) *Nonrenewal notice*. The bill provides for an expanded notice to policyholders when an insurer is nonrenewing a homeowners' policy. However, the bill merely identifies for the insurer the subjects to address. **The Committee may wish to adopt a specific form that insurers would be required to use.**

6) *FAIR Plan clearinghouse.* A substantial amount of the nonrenewals being experienced in the high-risk regions of the state involve larger market share, name-brand insurers that have concluded their risk concentration is too high. Many of these policyholders are finding a different private insurer, but many are not. One of the reasons appears to be that insurers that might be willing and able to write more policies in riskier locations do not have agents in those locations, or otherwise have access to information about this potential business. The clearinghouse concept, which has been used in some other states, is designed to make information available to insurers that may be willing and able to offer coverage to homeowners who are currently covered by the FAIR Plan. States that have employed this approach have had success in depopulating their version of the FAIR Plan.

REGISTERED SUPPORT / OPPOSITION:

Support

None received

Opposition

Personal Insurance Federation of California (PIFC)

Analysis Prepared by: Mark Rakich / INS. / (916) 319-2086

RURAL COUNTY REPRESENTATIVES OF CALIFORNIA

May 5, 2020

The Honorable Jim Wood
Member, California State Assembly
State Capitol, Room 6005
Sacramento, CA 95814

RE: Assembly Bill 3012 – SUPPORT
As Amended May 4, 2020

Dear Assembly Member Wood:

On behalf of the Rural County Representatives of California (RCRC), I am writing to express our support for your recently-amended Assembly Bill 3012, which would place specific requirements on insurers on claims reimbursements in the wake of a loss related to a state of emergency, as well as aid nonrenewed homeowners in finding insurance coverage. RCRC is an association of thirty-seven rural California counties, and the RCRC Board of Directors is comprised of elected supervisors from those member counties.

California has encountered unprecedented wildfire activity over the past decade, culminating in the most destructive wildfires the State has endured over the past two years. RCRC member counties, which contain more than 70 percent of the State's forested lands, have suffered the vast majority of these fires. RCRC also contains eight of the ten high hazard tree mortality counties, and in recent years residents in our member counties have experienced a sharp uptick in sudden homeowners insurance nonrenewals, resulting in difficulties finding affordable and sustainable coverage outside of the California FAIR Plan.

While the state's insurance issues in high-fire hazard severity areas are complex and will take a collaborative effort between residents, insurers, and local governments to resolve, we believe AB 3012 will bring much-needed aid to homeowners that have either suffered total losses due to wildfires or other natural disasters, or have been nonrenewed due to their location in a high-fire risk area. By requiring insurers to provide payment of no less than 30 percent of the policy limit without an itemed claim and allowing policyholders to recover an equivalent amount for their claim even if they choose to rebuild elsewhere, without deducting for the value of the land at the new location, displaced homeowners can begin to put their lives back together much more quickly after the devastation a wildfire such as the Camp Fire in Butte County can cause.

Furthermore, for those homeowners facing nonrenewals in high-fire risk areas, the ability to find new coverage is of paramount importance in the event that a catastrophic fire occurs in their area. RCRC supports educating nonrenewed homeowners about the California Insurance Finder, which can aid in finding new coverage, and the development of a clearinghouse program through the FAIR Plan to help those homeowners that have had to resort to using FAIR Plan coverage find more affordable, whole-home policies.

For the above reasons, RCRC supports your AB 3012. Please do not hesitate to contact me at sheaton@rcrcnet.org or (916) 447-4806 if you have any questions.

Sincerely,

Staci Heaton

STACI HEATON
Senior Regulatory Affairs Advocate

cc: The Honorable Tom Daly, Chair, Assembly Insurance Committee
Members of the Assembly Insurance Committee
Consultant, Assembly Insurance Committee
Bill Lewis, Consultant, Assembly Republican Caucus
Members of the RCRC Homeowners Insurance Ad Hoc Committee

California FAIR Plan PROPERTY INSURANCE

Telephone: (213) 487-0111
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www.cfpnet.com

FAIR ACCESS TO INSURANCE REQUIREMENTS

May 5, 2020

The Honorable Tom Daly
The Honorable Jim Wood
California State Assembly
State Capitol, Sacramento, CA 95814

AB 3012 (Day, Wood) Support

Dear Assembly Members Daly and Wood:

On behalf of the California FAIR Plan Association (the "FAIR Plan"), we are writing to support AB 3012 as amended on May 4, 2020. While we do not have a position on the other provisions of the bill, we enthusiastically support the amendments (1) requiring non-renewal policies to provide information about the California Home Insurance Finder, the FAIR Plan, and insurance available to supplement FAIR Plan policies; and (2) establishing a clearinghouse program which would provide the opportunity for admitted insurers to offer homeowners' insurance policies to current FAIR Plan policyholders.

We believe these are important steps in the right direction in addressing California's wildfire insurance coverage issues. It is important to provide a frequent, consistent message to policyholders letting them know that there are many resources available to help them replace their non-renewed coverage.

While the FAIR Plan frequently and repeatedly notifies brokers and policyholders that there are options available in the voluntary insurance market, we believe that a clearinghouse program is a significant benefit to our policyholders. A clearinghouse will help foster competition in the private market and could result in less concentration of risks in the FAIR Plan portfolio. In the long run, it would be beneficial for all consumers that remain in the FAIR Plan portfolio. It should be noted that states like Florida, Louisiana, and Massachusetts have successfully implemented such programs.

We appreciate everything that you are doing to help Californians recover from our state's devastating wildfires and better prepare for and protect themselves against future wildfire disasters. The FAIR Plan stands ready to engage and support pathways (such as AB 3012) that could help address some of the policy challenges presented by the California wildfires. We look forward to continue working with you on these issues. Feel free to contact us if you have questions or comments.

Sincerely,

Anneliese Jivan

Anneliese Jivan
President

cc: Assembly Insurance Committee Members

3435 Wilshire Boulevard, Suite 1200, Los Angeles, CA 90010 Mail: P.O. Box 76924, Los Angeles, CA 90076-0924

COUNTY OF NEVADA

STATE OF CALIFORNIA

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Clerk of the Board

May 28, 2019

Honorable Ricardo Lara
Insurance Commissioner
300 Capitol Mall, Suite 1700
Sacramento, CA 95814

RE: Letter of Concern on availability and affordability on Homeowners' Fire Insurance

Dear Honorable Insurance Commissioner Ricardo Lara,

On behalf of the Nevada County Board of Supervisors, I am writing to express the County's concern over the affordability and availability of fire insurance to homeowners in Nevada County. As you are aware, homeowners across the state are reporting widespread loss or large increases in insurance premiums in the areas identified as elevated or extreme high-fire danger areas, also referred to as Tier 2 and Tier 3 areas, respectively. Nevada County alone includes approximately 20,800 improved parcels in Tier 2 and 14,771 improved parcels in Tier 3 areas. This means that approximately 35,571 out of 46,795 (approximately 75%) improved parcels County-wide are at risk of losing insurance or may soon be unable to afford homeowner insurance with dramatic increases in premiums of up to 69% as outlined in the recent Senate Insurance Committee Hearing on May 8, 2019.

The County underscores the need of the insurance industry to re-examine and evaluate how it determines risk in California, given the new normal of catastrophic wildfires that have occurred over the last several years. Increased transparency and uniform risk modeling standards need to be applied across the industry that take into consideration a) individual homeowner fire mitigation efforts (i.e. vegetation management and home hardening), b) local certification programs (i.e. Boulder Colorado's Wildfire Partners Program, etc.), c) neighborhood mitigation programs (i.e. Firewise Communities, etc.), and d) regional fire mitigation activities at the local and state levels (i.e. CalFIRE firebreak projects, increased County hazardous vegetation inspections, etc.). County and local governments will bear serious costs associated with crisis recovery and need to be at the table to discuss solutions.

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I encourage the Department to work closely with the Governor's Office and partner with the California Public Utilities Commission's (CPUC) to build its institutional knowledge and wildfire expertise, as recommended in the Governor's Taskforce Report released on April 12, 2019.

Other opportunities for the Department to consider may be to re-evaluate whether the California Insurance Guarantee Association (CIGA) homeowners' coverage limit, set by statute in 1978 at $500,000, remains adequate. If a standard consumer price index of 2% is applied, today's CIGA coverage limit would be over $1.1 million.

The passage of SB 824 (Lara) increased some transparency by requiring admitted insurers with at least $10 million in written premiums to provide biennial reports on specified fire risk information. However, the ability for us to monitor consumer access to homeowner insurance and an insurer's willingness to offer coverage in a given area remains a gap.

While it is undisputed that California's 3.6 million homes located within the Wildland Urban Interface (WUI) are at greater risk of the threat of wildfire, how we manage and absorb those risks is unclear. We urge you and the Department of Insurance to ensure that County and local governments are a part of the conversation on how to best manage the risks and costs associated with catastrophic events so that California residents are not left in financial jeopardy. Please include Nevada County as a contributing stakeholder on fire insurance discussions for California homeowners.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Richard Anderson
Chair, Board of Supervisors

Copied:

Honorable Assemblyman Brian Dahle

Honorable Senator Susan Rubio, Chair of Senate Committee on Insurance

Honorable Sonoma Supervisor James Gore, CSAC Second Vice President and Chair of CSAC Resiliency Advisory Board

Cara Martinson, California State Association of Counties

Staci Heaton, Rural County Representatives of California

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January 14, 2020

Honorable Ricardo Lara
Insurance Commissioner
300 Capitol Mall, Suite 1700
Sacramento, CA 95814

RE: Letter of Concern regarding the availability and affordability of commercial insurance in Wildland Urban Interface Areas

Dear Insurance Commissioner Lara,

On behalf of the Nevada County Board of Supervisors, I am writing to express the County's urgent concern over the availability and affordability of commercial insurance in Wildland Urban Interface (WUI) areas and the need for increased transparency and regulation on risk modeling. On October 9, 2019, Timothy DeMartini received a Commercial Auto Policy Non-Renewal Notice for his commercial business, DBA DeMartini RV Sales, from Sentry Select Insurance Company. After researching other options, including the California FAIR Plan, Mr. DeMartini met with the County on December 24, 2019 as well as filed a complaint with the California Department of Insurance. Specifically, the Non-Renewal Notice notified Mr. DeMartini that his policy was not being renewed based on "unacceptable exposure due to wildfire risk" that included risk analysis backup documentation generated by Corelogic, Inc. RiskMeter.

The RiskMeter analysis identified a risk threat of 71 out of 100 for the DeMartini RV business located at 625 Idaho Maryland Road and 76 out of 100 for another DeMartini RV business location at 1305 East Main Street in Grass Valley, CA. RiskMeter documentation identified the properties in 61-80 and 81-100 wildfire risk areas, respectively. However, when cross-compared to California Public Utilities Commission (CPUC) State-wide Fire Map neither properties are located in Tier 2 Elevated Wildfire Threat or Tier 3 Extreme Wildfire Threat areas, but instead are located in Tier 1 Non-Fuel areas. Additionally, the RiskMeter maps show the properties rated as 81-100 Wildfire Risk areas are immediately surrounded by less severe areas, which raises questions on the legitimacy of the risk evaluation.

On December 30, 2019 the City of Grass Valley Fire Chief Mark Buttron conducted an exterior defensible space fire safety inspection of the two DeMartini RV business locations and found both are in compliance with California Fire Code. Grass Valley's fire safety inspection showed that Mr. DeMartini has reinforced his defensible space at 625 Idaho Maryland Road by providing 100' or more clearance with his neighbors and installing noncombustible driving surfaces throughout the property. There is no vegetation at the 1305 East Main Street location and both properties have an Insurance Services Office (ISO) Public Protection Classification (PPC) rating of 3, according to the Grass Valley Fire Department. Chief Buttron also submitted a Letter of Concern to the California Department of Insurance after the fire safety inspection reporting his findings and further noting that there are fire hydrants near both properties and that the City of Grass Valley's Fire Department response includes Cal Fire and use of Cal Fire aircraft from the Grass Valley Air Attack Base approximately ½ mile from both properties.

While wildfire is a new normal in California and in WUI areas, the loss of commercial insurance creates a dramatic impact on our community and economy. The County recognizes that private insurance carriers have a fiduciary responsibility to balance risk exposure with policy coverages to ensure profitability and solvency. However, the risk modeling used to justify the non-renewal of Mr. DeMartini's commercial policy raises significant concerns that the risk of wildfire exposure may be less than determined because the evaluation did not adequately account for other relevant facts. Uniform risk modeling standards that incorporate fire mitigation efforts, local certification programs, and regional fire mitigation programs should be standard across industry insurance providers.

DeMartini RV Sales is a large employer for our rural community with 35-40 employees. The loss of commercial insurance has both a direct impact on Mr. DeMartini's ability to do business in the community and an indirect impact throughout the local economy. Therefore, I strongly urge you to identify workable solutions that address this ever-growing crisis by working with industry stakeholders and members of the legislature and elevate this emerging issue throughout the State.

Please feel free to contact me with any questions.

Sincerely,

Heidi Hall

Heidi Hall
Chair, Board of Supervisors

CC:
California Governor Gavin Newsom
Assemblywomen Megan Dahle
Senator Brian Dahle
Congressman Doug LaMalfa
Senator Diane Feinstein
Senator Kamala Harris
Assemblywomen Susan Rubio, Chair of Senate Insurance Committee
Assemblyman Tom Daly, Chair of the Assembly Insurance Committee
Sentry Select Insurance
Councilmember Lisa Swarthout, Mayor of the City of Grass Valley
California State Association of Counties (CSAC)
Rural County Representatives of California (RCRC)
Karen Lange, Shaw, Yoder, Antwih, Schmelzer & Lange