



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

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PIFC CHALLENGES HOMEOWNERS INSURANCE LEGISLATION WHICH DOES NOTHING TO HELP SOUTHERN CALIFORNIA FIRE VICTIMS, BUT WILL INCREASE COSTS FOR ALL POLICYHOLDERS

SACRAMENTO – (May 4, 2004) - The Personal Insurance Federation of California (PIFC) today announced opposition to three of the four measures that make up the “Homeowners Bill of Rights” (HOBOR) package that will be heard in the California Assembly and Senate Insurance Committees on May 5, 2003.

PIFC, an insurance trade association comprised of insurance companies that write approximately 47 percent of the homeowners insurance in the state, said the legislation sponsored by the California Department of Insurance (CDI) will increase costs and reduce policy choices to homeowners throughout the state, and if passed, would do nothing to help Southern California fire victims.

“The Southern California fires of October/November, 2003 destroyed more than 3,500 homes, and have become the worst fires in recorded insurance history. Insurers have been on the scene for six months working expeditiously to get policyholders who suffered damage or lost their homes back on their feet,” noted Dan Dunmoyer, president of PIFC.

Two of the HOBOR bills will be heard in the Assembly Insurance Committee at 9:00 a.m.:

AB 2962 (Pavley). PIFC opposes this bill which would partially turn actual cash value policies into replacement cost policies, thus increasing insurance cost and reducing insurance policy choices available to all homeowners.

AB 2199 (Kehoe). *PIFC is neutral on this bill.*

The other two HOBOR bills will be heard in the Senate Insurance Committee at 1:30 p.m.:

SB 1474 (Escutia). PIFC is opposed to this bill which allows all homeowner policyholders the right to renewal and no increase in premiums unless they have three or more claims in three years. It will add costs to a super-majority of policyholders who have one or fewer claims. The measure takes away underwriting discretion of the insurers which could lead to promotion of fraudulent practices and higher costs to policyholders who do not have a claim every year.

SB 1855 (Alpert). PIFC is opposed to this bill because it would add new disclosures to already existing disclosure requirements which may create confusion for policyholders and will certainly increase costs.

“Today fires are raging again in the San Diego area, and PIFC does not want CDI’s inconsistent public messages about the fires to continue as these comments may confuse policyholders and, in some instances, delay the claims process,” Dunmoyer continued.

For instance:

- The CDI is criticizing insurers for allegedly underinsuring policyholders, and yet insurers are being sued today for overinsuring because the CDI ordered them to increase policy limits, thereby increasing premiums – following the Oakland Hills fire in 1991.
- The CDI web site offers explicit instructions to policyholders when insuring their homes at www.insurance.ca.gov under section "Insurance Guides", and then "Residential Insurance" and then under "Will My Policy Completely and Totally Replace My Home If It is Destroyed?", which states:

"In short, there is no substitute for reading your policy and your renewal declarations carefully. Discovering after a loss that you did not have the right coverage is not a situation you want to experience. Your insurance policy is a contract. In the event of a loss, the contract language will prevail. Anything promised verbally or representations not documented in writing will be difficult to prove."

And, under "Final Tips", it says:

"When you get your policy, read it. Remember to keep an inventory of personal property, listing all of the items you own, the dates purchased, and the price. If possible, take pictures of important and valuable items. This will help you to file and settle your claim quickly and efficiently".

- The Petris Disclosure Act, passed in 1992 following the Oakland Hills fires. It is designed to give policyholders at the time of sale and every other year thereafter, a simple explanation of the coverages provided in their policy and asks the policyholders to acknowledge that they understand their policy limits.
- Insurance companies are working with builders in the fire areas to create efficient ways to get a group of homeowners together to have their homes built by the same builder in order to save dollars, thereby getting the maximum out of their claims dollars.

“PIFC and its member companies are prepared to work with the CDI and all interested parties to help policyholders get back on their feet as quickly as possible,” concluded Dunmoyer.