



# NEWS

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## PERSONAL INSURANCE FEDERATION OPPOSES SENATE BILL 2 BECAUSE IT WILL RAISE HOMEOWNERS' INSURANCE RATES

**IMMEDIATE**

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[See note to media at bottom of release.](#)

**Sacramento, CA.**, (June 29, 2005)—Millions of homeowners will see their insurance rates rise should Senate Bill 2 (SB 2), a homeowners' insurance bill winding its way through the California Legislature pass into law. The Personal Insurance Federation of California says SB 2, authored by Senator Jackie Speier (D)—Hillsborough, will make a number of substantive changes to the way California insurance companies handle the adjusting and managing of claims following major fires and catastrophic losses. PIFC, a trade association representing insurance companies that provide insurance for 50% of California's homes, says the changes will lead to eventual rate increases for its member company policyholders.

PIFC President Dan Dunmoyer explains that SB 2 prohibits an insurance company from submitting a report of a claim filed under a fire/homeowners' insurance policy to any insurance-support organization unless it also provides the customer a copy of the report. "Because there is a small number of complaints associated with the use of insurance-support organization data, as well as the guarantee under federal law for the right of the consumer to correct this information in a timely manner (45 days or less), we believe that the additional cost associated with SB 2 is unmerited," stated Dunmoyer.

Dunmoyer explained that Section 4 of the measure precludes an insurer from placing a time limit of less than 24 months for additional living expenses (ALE) for an individual who has been dislocated following a major disaster. A number of PIFC members have voluntarily provided 24 months of ALE coverage following the 2003 Southern California firestorms. However, the ALE provisions of SB 2 fail to address a number of other policy concerns. Is it fair to require an insurer to pay for additional months if the homeowner refuses to determine whether or not they wish to rebuild their home within the first or second year? Or if the homeowner decides to rebuild a substantially larger home (which has occurred 69% of the time in certain neighborhoods after the 2003 Southern California fires) and this requires additional months of approval from local planning commissions, should all other customers pay?

“Section 4 also requires an insurer to pay 85% of policy limits for the loss of personal property in the event that a home is involved in a Governor-declared disaster. PIFC member companies are very sympathetic to the great challenges associated with a consumer fully determining the loss of contents in a total loss situation. However, the solution provided for in SB 2 will add substantial cost to the overall system of insurance in California and this cost will be borne by millions of individuals who are highly unlikely to suffer a total loss in a major wildfire. This section would provide a windfall to individuals who have empty rooms or contents of limited replacement value,” Dunmoyer added.

“This provision will also result in various tax challenges for these consumers because coverages paid in excess of actual losses are viewed as gains and will be taxed. For one of our member companies, on average consumers would have received \$13,000 more in contents payouts than their actual loss in the most recent fire disasters if this section had been in effect. SB 2 is a costly bill and homeowners should not be hit with higher insurance costs when the cost of living for owning a home continues to increase in California,” Dunmoyer concluded.

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**NOTE: The Personal Insurance Federation of California will conduct a media teleconference June 30, 2005 at 10:00 a.m. to discuss SB 2 and other key legislation and regulatory issues dealing with the personal lines insurance industry – home, auto and earthquake. Please call Julie Andrade at 916-442-6646 for call-in number.**