



ASSEMBLY MEMBER

**Monique Limón**

DISTRICT 37

## **Zoom Town Hall on Homeowner's and Business Insurance with Insurance Commissioner Ricardo Lara**

### **Monique Limón:**

I want to thank everybody for joining in tonight and welcome all those that are watching this evenings town hall with our California state insurance commissioner.

This is part of a series of town halls that we have been having for our district. This is the ninth town hall that we have collectively hosted with the effort to try to ensure that our constituents get information.

You will notice that this is a different platform than we typically use we usually do the tele town halls. And this platform via zoom and Facebook Live allows for all of you to see us and to listen to us.

We also want to make sure you know that this is simultaneously being translated in Spanish. If you would like to hear that translation, please click at the bottom of the screen.

We saw an increase of issues relating to wildfire insurance in our district after the Thomas fire many individuals in our district were impacted by higher prices for home insurance for wildfire insurance. This is something that continues to be a concern to individuals in the district and we are glad that you've been able to join us and that you're accessible.

### **Hannah Beth-Jackson:**

You know, we are in the midst of a crisis of proportions that I don't think any of us have experienced in our lifetimes, whether it's COVID19 and the rapid transmission of this virus, the fact that we don't know very much about it. The fact that it is literally closing our economy and continues to run uncontrolled throughout our society, whether it's in our state or local community nationally and frankly internationally, we are experiencing some of the greatest challenges I think that we have experienced in the last hundred years because of this pandemic adding on top of that, we are in wildfire season.

Both the chair and the vice chair of our joint committee on emergency management where we've been looking at how do we address wildfires. How do we protect ourselves, what kind of insurance? And when we buy insurance to keep us safe and be able to help us during these difficult times. So whether it's for wildfires, whether it's business interruption, whether it's tenant insurance. We are in the midst of a very, very challenging time and I want to thank our insurance commissioner for being with us today and hopefully helping give us a sense of where we are, what we can do at this point in time.

### **Salud Carbajal:**

Good evening and thank you to everyone for joining us tonight. This zoom conference tonight, the importance of fire insurance living on the Central Coast and as businesses are again being asked to close here locally in Santa Barbara County do to cope with.



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The heroes Act was recently passed by the House of Representatives and we're waiting for the Senate to go to work and come up with something so that we can approve.

Insurance Commissioner Ricardo Lara: Thank you. It's great to be here with all of you.

I have participated in more than 25 different town halls about business interruption issues and I have taken a number of steps that I'm proud to talk about tonight to help our businesses.

### **Q&A:**

**Q: My question to Commissioner Lara is what is his department doing about what I hear is the blanket denials of Business Interruption claims by most insurance companies over the Covid 19 State ordered business closures. I am retired and not effected but I am on the Board of Directors of a not for profit theatre company in Santa Barbara that was required to shut down and likely will not be able to resume full operations until much later this year. They were denied and relief from their insurance carrier even though here was a virus clause coverage in their policy. They were informed in a discussion with counsel that their only recourse was legal action or class action against the insurance company. That means either legal fees or a reduction in the claim settlement due to paying the class action attorneys. The Department of Insurance should be looking into this and possible be taking action against the insurers to help small businesses get what they are paying insurance premiums for.**

Insurance Commissioner Ricardo Lara: Thank you. That's a great question. My department has also received the number of complaints regarding business interruption insurance. And many businesses have looked to their insurance policies for coverage, as you know, and it's important to reiterate that each policy is a legal contract between the business owner and the insurance company. And since early March, we have seen dozens of lawsuits around the country, including here in California which concern the interpretation of these policies and whether these policies cover the losses due to COVID19.

I can tell you that we are monitoring these cases as a move to the courts, but I've taken several steps to address business interruption to date. You know, we have been learning that some insurance companies are just denying business interruption claims without even a thorough investigation or even discouraging business owners from filing a claim that's simply unacceptable, so I also required a because of what we've heard insurance companies to comply with their contract and with California law, quite frankly to fairly investigate every single business interruption claim caused by COVID-19 just as they would any other disaster. By the way, just as if it was a fire an earthquake or a flood. My department will be watching them, making sure that they do so and ensure that everyone gets a fair claim.

You know, having heard from thousands of small businesses in our town halls since epidemic started I understand the frustration of businesses who expected insurance coverage to be there when they need it and you know I know that the legislature is going to be exploring this important issue. The legislature will be looking in this in the coming weeks. Hopefully, or we don't know, but obviously, Assemblymember Limón is the author of AB 1550, her and



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Assemblymember Ramos; the bill will determine what impact could have on businesses. We're also looking at the insurance ability to remain solvent and pay claims. If we go back in time to open up these contracts, as you know, I don't have the statutory authority to do that.

To be able to go in and open individual contracts that were entered between a business and an insurance company. But, you know, we also are looking at how the bill will impact in the future in terms of the availability and affordability of commercial insurance. We understand that this continues to be a big, big problem. Again, we would encourage our small business owners or business owners who have questions about their claims to call us at 1-800-927-4357.

It's important for us to look at your individual contract because all the contracts are very different. And again, once you file a claim if you don't like what your insurance company said- give us a call. We have insurance experts that will walk through the process look through the fine print of your contract to see what we can do to help you obtain some sort of reprieve during this time.

**Q: Do Insurance Companies have some compliance to take losses with gains? They appear OK when they get monthly premiums, however, when losses start coming, they start cancelling or stopping insurance coverage for clients. I believe Legislation to take the "Gain with the risk of Loss" should be part of Insurance compliance?**

**A:** Insurance Commissioner Ricardo Lara: Absolutely. Great question. You know, insurance companies typically make money on the investment of the premiums and also make an underwriting profit in those years where the losses don't exceed the premiums and expenses. So while there is a level of relative certainty in the investment profits. There is no guarantee of the underwriting profits in a given year.

The industry representative have said that the wildfire losses, for example in 2017 and 2018 wiped out any underwriting profits for the previous 20 years so premiums are set based on anticipated losses and in the incoming year upcoming year for the type of coverage. The company is providing generally a consideration of what the insurance companies recent loss history has been is key is the key factor in projecting what the losses are going to be like in the next year. So as insurance, look forward. They are not constrained by any loss from anything further underwriting restrictions. For example, to avoid the level of losses they have experienced in the recent years and enhance the likelihood of underwriting profits.

Unfortunately, I have to say, in direct response to your question, Senator Jackson is that this lack of reasonable renewal protections in our current law means that long time customers who have had no losses have worked to mitigate the risk of their properties can still be non-renewed. This is unfair and requires laws to impose some equitable level of renewal protection for consumers.

Insurance Commissioner Ricardo Lara: And I want to thank Asm. Limón for her efforts in this area as a joint author of a bill with the Asm. Lorena Gonzalez, that I sponsored that would require insurance companies to write a fire harden home in a community that had taken fire mitigation actions. Unfortunately, the, the chairman of the assembly insurance committee did not set our bill. And instead is hearing an industry sponsored bill that I believe is only going to hurt



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consumers. But nonetheless, we're going to continue to pursue legislation in the future to guarantee that if a consumer a homeowner and the business that have done everything absolutely in their power to mitigate their property spent the thousands of dollars to protect their property that they're guaranteed some sort of coverage. So that's what we're working on.

**Q: We live on San Marcos Pass Road at the San Marcos Trout Club. Allstate Insurance cancelled our homeowners' insurance in August 2019. We are now insured by California Fair Plan. We know that many homeowners living in wildfire adjacent areas have hardened their homes and properties, at significant expense, against fire. Their efforts are not recognized by their insurance companies as it seems that homeowners' insurance is now cancelled by zip code without any evaluation of the actual fire risk of individual homes. If the State wishes to promote good fire prevention measures for structures it is important that those that make the effort be recognized by their insurance company. This requires individual home inspections, causing the rates go up a bit, but wholesale cancellation of policies should end. Can the State Insurance Commissioner require that homeowner insurance policies only be cancelled after an evaluation of the home?**

**A:** Insurance Commissioner Ricardo Lara: Yes, this is exactly what we were we were trying to get done in this bill as I mentioned a moment ago, I wish I had the authority to protect consumers against non-renewals when they've acted responsibly to mitigate the risk; but there's no legal requirement and ensure inspect the property ensure to evaluate those mitigate those mitigation efforts. And this is something that has to change. If we need to get a change in the legislature.

I would like to invite my Deputy Commissioner for Consumer Services, who has these one on one conversations with our consumers, but with many of the businesses to be able to share some more detail.

Tony Cignarale: I would add that to get a little bit more specific that each insurance company is under current law to create their own list of underwriting guidelines to determine which homes, and in which areas and those standards could be anything from the age of the home to your maintenance of your plumbing and heating system. The condition of your roof your recent loss history and as well as outside factors from your home like your protection rating of your fire department, for example, but also, more recently, insurance companies had been using what are called wildfire risk scores and wildfire risk scores are used.

The scores are relatively unregulated and our goal is really to get more regulation on those scores get more transparency and have consumers able to appeal those scores and better understand ways in which they could mitigate those scores or reduce those scores if insurers are going to continue to use them.

Insurance Commissioner Ricardo Lara: Yeah. And I'll just add that in the scores three things that we've been fighting for in the legislature is that and we're also looking at what options we have regulatory oversight and understand what algorithms are being used to determine who's getting left out or who's going to get coverage. Additionally, let's empower this data and give it to our community so that they can also know what they need to do to mitigate their score. There is no opportunity right now for a homeowner or a business owner to say okay this is my score. What



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do I need to do to lessen my score. What, what do I need to do to mitigate my property. So there's no ability to appeal your score. And what we also want is we want to be able to you know as a department verify these risks course to see if they're being used appropriately.

I believe there should be a requirement for insurance companies to write a home that has hardened against wildfire where the community has mitigated. And we need to continue to pursue legislation on this issue.

Monique Limón: I co-authored a bill related to wildfire insurance and now related to business insurance and I've often told constituents, if there's not a bill there's not a conversation. So I think that we're trying to have conversations to try to address these issues. But certainly, they're big and we're not the only region in California, that's dealing with this I would actually say that a lot of now the entire state and likely other states are also dealing with this.

**Q: Please address the lack of coverage/burden on small businesses that COVID19 causes. Our liability insurance will NOT cover claims related to contracting COVID19 while receiving services or frequenting our business. Business owners need immunity to operate in this pandemic**

**A:** Insurance Commissioner Ricardo Lara: Absolutely. You know, I'm extremely sympathetic toward businesses, you know, even when you reopen businesses are going to need some time to recover. And I know the liability to the covert exposure is a legitimate concern.

The Department of Insurance is going to be watching closely to make sure that insurance companies are giving you as much flexibility as possible, and that they are fully abiding by their contract. I understand the burden being placed on businesses as they attempt to reopen while still keeping their employees and customer safe. It is. It is not an understatement to say that lives are at stake here.

Tony Cignarale: Yes, Commissioner, the first thing is, while immunity of the business for COVID19 issues is not an insurance issue, per se. Some of the additional advice, we would provide is that first the business should first follow the governor's resiliency roadmap as well as local guidelines for the particular business that you're in that will go a long way towards ensuring that you're doing the right thing, you're not creating a negligence issue that might create additional liability that may reduce your exposure and as the businesses reopens they should have conversations with their agent and their insurance company to better understand their policy and get guidance from them as to maybe some tips on how you can reduce your risk in operating that business under this current COVID19 environment.

If you're not satisfied with the answers, you're getting from your insurance company, contact us. We have our number listed, but it will give it to you again it's 800-927-4357 again that's 800-927-4357 and I'll leave it at that. Thank you.

**Q: What types of insurance are important for renters and why. The County of Ventura is planning outreach to vulnerable populations for a sea level rise project and we would like to provide information on the importance for renters to have insurance.**



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**A:** Insurance Commissioner Ricardo Lara: Having all your personal property, fire or other insurance for an event without coverage is a tragedy and renters insurance is critical for that. I like to invite Alex Stone from my departments legal Branch to provide some more details on this.

Alex Stone: I'll just say that to protect your belongings, you should consider purchasing renter's insurance, which is also known as tenant's insurance. Which I should say is, is quite affordable compared to homeowner's insurance and the renter's policy provides coverage for your personal contents located in the property that you occupy and coverage is also provided for lots of US personal liability protection and Medical Payments to others. But I should note that most renters policies don't cover for losses caused by flooding. So renters who live in areas with an identified flood risk should consider purchasing flood insurance from the National Flood Insurance Plan, which is a federal program to protect the contents that may be damaged due to rising sea levels or other floods. But they should also be aware that the those National Flood Insurance Plan policies do not cover the cost of additional living expenses. After a flood. But in disaster situations FEMA may be of assistance for that.

**Q: Regarding pending AB 2167. Why does an IMAP filing require an expedited review? What are the benefits to consumers regarding IMAP approvals? What powers of the insurance commissioner are reduced by AB 2167 and how does that benefit consumers? Regarding IMAP requirements, the bill currently reads [10109.1(a)(3)] “ Parcel-level and community-based mitigation and verification requirements, as described in Section 10109.2”. Please note that 10109.2 has been deleted (crossed out).**

**A:** Insurance Commissioner Ricardo Lara: So you know every single consumer group in the state or almost opposes AB 2167 because it does nothing to benefit policyholders. The bill really is an insurance industry wish list that helps their profits and hurts policyholders. And the irony is that this is happening under a truncated schedule where we really can't have a thoughtful fruitful discussion. I know affordability and availability continues to be such a big problem with your constituents and anywhere there's wildfire risk across California

Now the bill says that the insurance company can create a special filing called an iMap. An insurance market action plan to the Department of Insurance and request higher rates in return for committing to write at least 85% of its state-wide market share of homes in a county, but not required to write homes in a fire risk County, by the way, so they could commit to writing these throughout the entire state, but it does not have to be written in homes where we need the insurance. So that is not a good deal for consumers if this bill passes consumers across the state will experience rate increases without the benefit of thorough review or transparent oversight by the Department of Insurance.

Insurance Commissioner Ricardo Lara: Specifically, the bill will allow insurance companies to use what is called reinsurance cost, as I said earlier, when they calculate premiums.

This bill also ties my hands in fully evaluating these filings and enforcing the protections of Proposition 143 which water passed in 1988, that insurance companies have been trying to



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weekend ever since. And so, you know, again, this bill allows insurers to cherry pick who they want to offer insurance to the bill does not mandate that ensures right and high fire risk areas where majority of insurance now renewals are occurring.

**Insurance Commissioner Lara presents slideshow** (slide show can be found under the Town Hall tab)

Monique Limón: Thank you, insurance commissioner, I think your slides are very helpful. I think it's part of the greater conversation and we're grateful and I know constituents are grateful.