

RICARDO LARA

INSURANCE COMMISSIONER

California Department of Insurance

**Santa Cruz Supervisor Zach Friend Tele Town Hall Interview on Wildfire and COVID-19
September 8, 2020 from 6PM to 7PM**

California businesses of all sizes are suffering great losses because of the COVID-19 Pandemic. While we have encountered business interruption questions in the past following wildfires or other disasters, we have seen nothing on this scale – with thousands of businesses closed and drastically reducing payroll. Insurance Commissioner Ricardo Lara in partnership with Senator Ben Allen hosted the following small business experts to address issues faced by California’s small businesses:

Participants:

- California Insurance Commissioner Ricardo Lara
- Santa Cruz Supervisor Zach Friend, District 2
- Santa Cruz Supervisor Ryan Coonerty, District 3

Supervisor Friend:

Good evening this is Zach Friend and thank you to everyone joining us. We are very fortunate to have Commissioner Lara and my colleague Supervisor Ryan Coonerty for joining us. Many of you are facing many challenges with the wildfires and the insurance side, our county has been through a lot. We are fortunate to have 80% of the fires contained right now, but still is the 9th largest fire in the state’s history. This is the 2nd town hall the insurance commissioner has had here in Santa Cruz within the last month. Tonight’s town hall will be recorded and please email me or Supervisor Coonerty to get a copy of this town hall. Also press Star 41 to ask a question and join the que.

Supervisor Coonerty:

I wanted to take a moment to thank you Zack for opening this town hall to my community. We have 100’s of home being lost in the wildfire and I think it’s the spirit of Santa Cruz that our community cares for one another and provide resources when we are in trouble. I wanted to thank Commissioner Lara for being proactive and reaching out to my office and trying to help.

As people deal with the magnitude of the loss- we have a lot of short term concerns like people not getting their interim housing paid, or people not able to get insurance adjustor in their properties, to long term concerns like re-insurance.

California Insurance Commissioner Ricardo Lara:

Thank you, Supervisor Friend and Supervisor Coonerty for having me this evening. I am happy to join you all to give you an update on the work we have been doing on behalf of the residents and businesses of Santa Cruz County during the devastating wildfires and the COVID-19 pandemic.

With hundreds of fires still burning across our state, including right here in Santa Cruz County, and thousands of people evacuated from their homes and even colleges like Supervisor Friend’s alma mater UC Santa Cruz, it is more important than ever that you all have the information and resources that you need.

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Our Department of Insurance staff are on the ground today at Local Assistance Centers right here in Santa Cruz, and in Monterey County, providing in-person advice and information to help wildfire survivors with their insurance recovery and answering as many questions as possible.

We have heard that some people who are evacuated are losing access to their insurance benefits that pay for a hotel or other emergency expenses after just two weeks – even when their homes are still difficult to reach or uninhabitable due to loss of water or power.

We are also hearing questions on how to receive advance payments that I requested insurance companies provide on August 26, 2020, such as 25% Contents advance and 4 months of Additional Living Expenses or ALE advance in cases of total loss, that way we can help people with immediate needs. And there's general confusion about what your insurance covers, how to access your policy benefits and how to work with your adjuster.

The issue of people being cut off for additional living expenses while their homes are still uninhabitable -- that is something I saw firsthand after the Camp Fire, when residents of Paradise were unable to move back into their homes because water mains had been damaged by the heat of the fire – but people had to pay out of pocket for emergency costs.

That does not seem fair to me – and just last week I took action to urge insurance companies to extend additional living expense benefits to people who are in this situation.

I sponsored legislation this year to make this change permanent, and Senate Bill 872 by Senator Bill Dodd is headed to Governor Newsom's desk with support from both Democrats and Republicans, this will give additional ALE during difficult times. The California Department of Insurance is here to help you – and get the most out of your insurance benefits.

For the 2017 and 2018 wildfires – as well as the 2018 fire-related Montecito mudslide, the Department of Insurance intervention was able to recover more than 240 million dollars for wildfire claimants. And of course, we are still dealing with the pandemic which has turned our lives upside down especially for our business owners like your family, Supervisor Coonerty with the legendary Bookshop Santa Cruz. And for restaurants like the infamous Pizza my Heart, which during my visits I call Pizza mi Corazon.

My priorities since this pandemic started have been:

- Getting money back to consumers and businesses.
- Helping small businesses to file insurance claims and combat fraud.
- Protecting the health of Californians.

I have taken more than 20 separate actions to help consumers and businesses and I want to mention 5 in particular:

I ordered partial premium refunds for motorists and small businesses due to lower risk at the workplace and on the road – which have resulted in \$1.2 billion in relief so far to our California consumers.

I directed health insurance companies to provide zero cost-sharing on consumers for COVID-19 screening and testing.

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My action extended policyholder deadlines for consumers to ensure they don't lose, limit, or waive their policy benefits as a result of the current national state of emergency. I asked companies to extend grace periods so consumers affected by COVID-19 have more time to pay their insurance premiums... the last thing we want is for people to lose coverage during a pandemic.

I have pushed insurance companies to expand access to telehealth so consumers have access to medically necessary health care while keeping them and our health care workers safe. You can see the full list at our website, insurance.ca.gov.

We have a lot of work to do to assist businesses and their workers as we continue to try to cope with the wildfires, this pandemic, and the future of our economy and the state.
I look forward to answering your questions.

Question and Answer

1. Supervisor Connerty: As people begin to navigate this process where should people start if they feel they are aren't getting the benefit they are entitled to?

Commissioner Lara: I would have people start with <http://www.insurance.ca.gov/01-consumers/140-catastrophes/WildfireResources.cfm> this is full of critical information including our Top 10 Tips for Claimants in English and Spanish. Number one tip is to obtain a copy of your residential homeowner insurance policy as quickly as possible and this has to include your declaration page. Also keep notes of your living expenses limits and manage your Additional Living Expensive (ALE) in recognition for a long rebuilding process. You have to also document all conversation with your insurance company and your adjustor. Get at least one licensed contractor to give you an estimate/bid on the cost to rebuild your home just to get a reasonable sense on how much the actual cost in comparison to what your insurance company will cover. Check the website for CA contract licensing board <https://www.cslb.ca.gov/> to get a licensed contractor.

Please contact us if you are not getting the information you need from your insurance company. We can help you file a complaint call us 1-800-927-4357 <http://www.insurance.ca.gov/01-consumers/101-help/index.cfm> -

2. Constituent Question: Is it possible for insurance companies cover plumbing on temporary structure?

Tony Cignarale, Deputy Commissioner— it's outside of the box because if you try build a temporary structure on your property prior to rebuilding your primary structure it probably won't under your building/property coverage, it may come out of Additional Living Expenses (ALE). This is a unique request, we have heard of similar requests that insurance companies have allow a RV (recreational vehicle) on the property covered by ALE. They negotiated with the insurance company to pay for the RV upfront versus 2-3 years of living expenses, in the long run less expensive. Building a new temporary structure is a unique, while the law and the policy doesn't require you can still approach your adjustor and insurance company to make that request.

3. Constituent Question: What will happen with premiums with more fire resistant construction and materials on the market?

Commissioner Lara- It's still too early to determine what the impact of these fires will be on the premiums and insurance market. But what we are starting to see is a lack of availability of insurance in Santa Cruz and Monterey County. So we've been moving the discussion to working with local and county government to bring down the fire risk and working with fire safe council to harden homes at the parcel

level and create defensible space, but also at a community level. We understand that all communities are very different with different topography, slope, and fuel load. Then, as a state, we need to come up with minimum mediation and resiliency standards at a community wide level so that we can bring down the risk for the entire community. We want to make sure that if a neighbor/community does all they can to reduce fire risk, then we can want to mandate the insurance company to write you a policy. This hopefully will create an incentive for the business owner or homeowner to do what's right and harden their homes, and get something for that. Currently people are being asked to do different home hardening and create defensible space and still receive a non-renewal, we don't think that is fair.

4. Supervisor Friend: What advice would you give to individuals who want to help with advocacy in obtaining homeowner insurance?

Commissioner Lara: We recognize that the inability to find homeowners insurance is causing a domino effect and hurting our community twice: first by the wildfires, then by insurance companies dropping residents and businesses. I've spoken to many local fire chiefs who agree that bringing down wildfire risks should be the #1 priority in order to reduce losses and bring rates down and stabilize the rates. We are living through tough times and people have good intentions to harden their homes, but many can't afford to do the improvements. Some people need a tax incentive, tax break or loan forgiveness program to incentives them to harden their homes/businesses. Also, we have people with disabilities or our senior community who can't do the upgrades themselves which add on an additional burden. We as a state and local elected have to creative on how we come up with a funding mechanism that is appropriate for the economic level and ability level of our residents. We also need to empower our local government to step in an assist their neighbors when someone in the community is not hardening their home. We need better communication, empower local government, and we need to create statewide mitigations standards that are going to be clear for everyone, science based, and that will allow our local governments a standard of measurement. This standard of measurement will allow local government to eliminate the hodgepodge recommendations we currently have throughout the state.

5. Supervisor Coonerty: Is there anything we can do for small businesses who do not have business interruption insurance to prepare for the next pandemic or wave of COVID19?

Commissioner Lara: The Department of Insurance has received a number of complaints on business interruption insurance regarding COVID 19 closures. The reality is that each policy is a legal contract between business owner and the insurance company. Since early March we have seen dozen of lawsuits throughout the country, which concerns the interpretation of the policy and weather these policies cover losses due to COVID19. I can tell you that we are monitoring these cases as they move through the court system.

We have been learning that some insurance companies are denying business interruption claims without a thorough investigation or they discouraging businesses from filing a claim and that is simply unacceptable. I have taken significant steps within the department to address business interruption- I require that insurance companies comply with their contracts and state law by thoroughly investigating every business interruption claim caused by COVID 19. My department will be watching and making sure that people get their fair claim. If a business has interruption coverage and the insurance company is stating that these losses are not covered due to the exclusion in the policies, we recommend that you file a formal claim with your insurance company. And start creating a paper trail because insurance companies are legally required to investigate the claim and formally respond with their reason for any denial. Once you get this denial letter please open a claim with the Department of Insurance and we can go in investigate the details of the policy and letter. <http://www.insurance.ca.gov/01-consumers/101-help/index.cfm>

6. Constituent Question: Why do we have to get CA Earthquake Ins. through commercial company, why can't we get it through the state?

Tony Cignarale, Deputy Commissioner: After Northridge earthquake many insurance companies did not want to issue more policies, so the legislature created the CA Earthquake Authority. So now even though you might purchase a policy through one of the traditional insurance company, there is a very good chance that it is backed by the CA Earthquake Authority so it falls under the preview of having the standardized coverages and it's looked at for its rating structure so that it is not overpriced based on the risk and the modeling. But it is not a state ran program per say it's sold by traditional insurance companies and backed by the CA Earthquake Authority. If you have specific questions in regard to your policy call us at 1.800.927.4357.

7. Constituent Question: Is there a non-profit or non-commercial website where we can compare the costs and value of various homeowner insurance policies?

Commissioner Lara: the CA Department of Insurance of has a tool on our website 'Insurance Finder' that can help you compare and let you know who is writing policies in your area. It is critical for folk to shop around to compare different policies. It's also important to understand if no one is willing to write you a policy we have the CA Fair plan, which is our insurer of last resort, and essentially it is backed by the insurance companies- not by tax payers. CA Fair plan will write you a fire insurance policy and a few other perils only. It is not a comprehensive plan or full homeowners' policy, to get additional coverages you need to buy an additional wrap around coverage from an insurance company, called a difference of condition (DIC) policy. For this reason, I ordered the FAIR Plan to offer an optional full homeowners' policy, so that you don't have to purchase two policies, which we believe is more expensive. (My order doesn't stop insurance companies from offering DIC policies.) You would still be able to buy the basic FAIR Plan policy and a DIC, if you want, but I wanted you to have another option.

My order also directed the FAIR Plan to modernize its dwelling policy, which had not changed in decades, to allow for monthly payments, payment by credit card and increased coverage limits to \$3 million, up from \$1.5 million. Last month the FAIR Plan started offering the higher limits and will soon be offering the monthly payment plan and payment by credit card. While the FAIR Plan has seen tremendous increase in business due to many insurers non-renewing polices in the fire prone areas, they still only write a small percentage of policies statewide, so I don't see any issue with them being able to handle the new business by timely processing billings and paying claims.

To learn more about a FAIR Plan policy, you can go to our website, [insurance.ca.gov](http://www.insurance.ca.gov), where you will find our Top Ten Tips for Finding Residential Insurance. http://www.insurance.ca.gov/01-consumers/140-catastrophes/TopTenTips_WildfireClaimants.cfm

8. Constituent Question: After the passage of the Affordable Care Act we were finally seeing the level off of the cost for health care. Do you see the cost of COVID19 treatment and care impacting rates in the coming year?

Commissioner Lara: COVID-19 is causing a lot of uncertainty -- we don't yet know what is going to happen for employers. Actuaries for health insurers are currently developing their assumptions regarding impact for their 2021 rates, and will likely price their products to reflect this uncertainty. One thing is that we do not anticipate unexpected windfalls in terms of reduced claims, over the long term, as a result of COVID-19

Yes -- there has been a substantial decrease in necessary, but elective procedures (such as heart surgery and cancer surgery) during the pandemic, in part in response to the need to focus hospital

resources on developing capacity for the treatment of COVID-19 patients. As a consequence, hospitals are experiencing a substantial decrease in revenue.

More than 270,000 consumers have signed up for coverage through Covered California since it launched a special enrollment period in response to the COVID-19 pandemic.

In response to the current wildfires, Covered California opened another special enrollment period to help wildfire survivors throughout the state. Depending on their income, they may receive substantial subsidies to make health insurance affordable during this difficult time.

It's also important for Californians to remember that, if their income is substantially reduced, they may qualify for low-cost or no-cost Medi-Cal coverage.

My Department has taken some actions to address health costs for consumers:

One of my first actions in response to the crisis was to eliminate cost-sharing for COVID-19 testing -- Governor Gavin Newsom and I directed insurance companies to eliminate co-pays, deductibles and other costs related to screening and testing for COVID-19. As we expand testing and get people back to work that will be increasingly important.

Just a couple of weeks ago in response to the wildfire emergencies and mail-order prescription drug delays, I directed health insurance companies to submit emergency plans to the Department, detailing how they will ensure continued access to needed medical care and prescription medications for those covered under Governor Gavin Newsom's wildfire and extreme weather state of emergency declaration on August 18, 2020. And, with widespread reports of U.S. Postal Service cuts affecting consumers, I issued a Notice reminding insurance companies of their obligation under California law to maintain access to prescription drugs.

I also directed health insurance companies to increase telehealth access for consumers. Health insurance companies must continue to provide access to medically necessary care and California policyholders should be able to access medically necessary healthcare without physically visiting their provider in person, when clinically appropriate.

I think telehealth is here to stay – and this is going to be a good thing for employers and workers alike. And telehealth can keep our medical offices working while reducing risks to front-line workers and to patients.

9. Constituent Question: Insurance companies' goal is to minimize what they pay out. How can we maximize the insurance to rebuild? Including how to maximize dwelling extension?

Commissioner Lara: Regarding rebuilding... the law provides that you can choose to buy or build a home in a different location and still collect your full limit on your policy including any additional coverage provided by extended replacement cost or building code upgrades if you have those coverages in your policy. The settlement amount will be based on actual cost to rebuild will be based on the home you had in your current location and is subject to your policy limits. If you don't spend your full limits whenever you decide to replace your home. Your insurer can choose to limit payment to the actual spend.

In order to maximize your claim payout you have to be vigilant and don't take the first estimate you get. Become an advocate for yourself, become an insurance expert and question everything the insurance companies are sending you. The department of insurance is here to make sure you fully understand your policy and replacement value.

Get everything in writing: quotes, attorney memos, log of everything you are asking for. All of this paper trail is critical when CDI reviews your case and assures you are getting everything that is detailed in your policy.

Tony Cignarale, Deputy Commissioner: We can walk you through your policy so you understand all of your different limits. Get with your adjuster and have them spell out your primary dwelling limit, your other structures limit, your contents / personal properties limit, additional living expense limit, landscaping limits, debris removal limit, etc. All of these things will be adding up to what your total amount you have available to rebuild. If you need assistance call the department of insurance and they can walk you through this process.

10. Constituent Question With an increase in demand for rebuilding. How do we work with contractor so they don't over charge?

Tony Cignarale, Deputy Commissioner: In regards to demand surge, get a couple of estimates as soon as you can from licensed contractors and as you get closer to starting to rebuild, recheck those numbers. There are some anti-gauging laws depending on your city / county. Hopefully you have extended replacement cost should you reach your traditional policy limit on your structure.

Commissioner Lara: Also visit United Policy holders online – a nonprofit organization that have lived through the same experiences. They have good techniques and processes available so you don't have to reinvent the wheel. <https://www.uphelp.org/>

11. Constituent Question: My question is in regards to Insurance policy deadlines and the advances the insurance companies are offering... will they affect our timeline? I've heard conflicting information- my insurance company is saying 'because it's an advance that is being requested the timeline won't be affected' but they will not put it in writing so I'm trying to figure out what that means.

Tony Cignarale, Deputy Commissioner: In regards to the timeline, there are two basic pieces for your additional living expense coverage: payment of an advance does not trigger any deadline- either you are covered for at least 24 months plus possible 12 month extension for good cause for additional living expenses and up to your policy limit. And when you get payed is not relevant to cutting off or triggering that 24 month or 36 months. That 24 months start from when you lost your home, not from when you got payed. With regards to the replacement cost provision in your policy- collecting the remainder of your contents/personal property, as well as the remainder of reconstruction/rebuild cost, there is a timeline that is triggered. That is only triggered after you receive your full actual cash value payment not the advance payment. If your company is not willing to put that in writing. Ask them again in writing and if they refuse contact the department of insurance so they we can help you clarify what they are paying you.

12. Constituent Question: Should contractors be charging to be doing bids? Because obviously we want more than one bid on our properties to get an idea of the cost to rebuild.

Joel Laucher, Special Advisor: In normal circumstances you would expect contractors to give you a bid without a cost. In today's circumstances it is very difficult to get a contractors bid since they are getting many requests and it is a different situation. Many people are asking for bids to show their insurance company the cost to rebuild. With most contractors you should expect to get a bid without paying but if you are asked a reasonable amount for a contractor you trust it may be worth the cost of the bid.

Supervisor Friend: FEMA has cash assistance for critical needs. Register at disasterassistance.gov and you may be eligible to receive \$500 immediately and this may mediate some of the bid costs.

Additional Resources

California Department of Insurance

<https://www.insurance.ca.gov/>

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Santa Cruz County

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United Policyholders

<https://www.uphelp.org/>

PH: 415-393-9990 (Roadmap to Recovery Services)

California FAIR Plan

PH: 800-339-4099

<https://www.cfpnet.com/>