

Date of Hearing: July 9, 2025

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 495 (Allen) – As Amended March 26, 2025

SENATE VOTE: 28-10

SUBJECT: Insurance

SUMMARY: Makes various changes in California's insurance code relevant to the California Department of Insurance (CDI). Specifically, **this bill:**

- 1) Specifies that in the event of a loss relating to a state of emergency, an insurer shall not require the insured to provide proof of loss sooner than 180 days after the loss.
- 2) Requires that an insurer provide one or more additional extensions of six months for submission of proof of loss for good cause, if the insured, acting in good faith and with reasonable diligence, encounters a delay in approval for the reconstruction of the property beyond the control of the insured, including:
 - a) Unavoidable permit delays.
 - b) Lack of necessary construction materials.
 - c) The unavailability of contractors to perform the necessary work.
 - d) The disability, injury, or incapacity of the insured.
 - e) The inability of the insured to access the insured property as a result of governmental action or because the insured property is located in an area that is exposed to hazardous materials posing a health risk.
- 3) Requires insurers to offer 100 percent of the personal property policy coverage limit without an itemized claim from the policyholder in the event of a covered total loss of a dwelling resulting from a state of emergency.
- 4) Requires that on or before March 1, 2026 and by every March 1 thereafter, admitted insurers with premiums from specified lines of \$50,000,000 or more, must submit a report to the Insurance Commissioner, in a specified manner, on their reinsurance placement data and use of catastrophe models for the previous policy year. Reinsurance placement data can include the details of those policies, including the amount of coverage, the risks covered, and the terms of the agreement.
- 5) Specifies that such reports filed on or before March 1, 2026, shall include data from the latest available reinsurance treaty year. Subsequent reports must also include data available from the latest reinsurance treaty year when the report is due.

- 6) Stipulates that insurers must promptly respond to inquiries from the Insurance Commissioner or their representative regarding the report.
- 7) States that the Commissioner must annually post an aggregated report of this data, which does not identify specific insurers, on the Department of Insurance's website.
- 8) Makes findings stating that in order to protect consumers, avoid unfair competitive advantages or disadvantages, and protect proprietary information received by the state under the bill's provisions, that information reported as such must be treated in a confidential manner.
- 9) Specifies that the above information submitted to the Insurance Commissioner is exempt from the California Public Records Act. This information is not subject to subpoena or subpoena duces tecum, and that testimony by the Commissioner, the Commissioner's staff, an employee of the CDI, or a person to whom the reporting was disclosed, regarding the contents of any report submitted is inadmissible as evidence in a civil proceeding.
- 10) Subjects, upon failure to submit the required report mentioned above, an admitted insurer to a civil penalty to be fixed by the Commissioner in an amount not to exceed \$5,000 for each 30-day period that the insurer is not in compliance. If the failure to comply is willful, the civil penalty is to be fixed in an amount not to exceed \$10,000 for each 30-day period that the insurer is not in compliance, but cannot exceed an aggregate amount of \$100,000.
 - a) Requires the Commissioner to collect the amount payable and authorizes the Commission to bring an action in the name of the people of the State of California to enforce collection.
 - b) Specifies these penalties are in addition to other penalties provided by law.
 - c) Authorizes a penalty to be appealed in a court of competent jurisdiction or through a formal hearing under administrative adjudication provisions of the Administrative Procedure Act.
 - d) Provides these provisions are the sole means for enforcement.
- 11) Authorizes an insurer to request, and the Commissioner to grant, a 30-day extension to submit a report if needed due to unintended or unforeseen delays. If the insurer fails to submit a report after the granted 30-day extension has passed, the Insurance Commissioner may find that the failure to submit the report was willful, and increase the civil penalty to an amount not to exceed \$10,000 for each 30-day period that the insurer is not in compliance, but not to exceed an aggregate amount of \$100,000.
- 12) Makes findings and declarations.

EXISTING LAW:

- 1) Provides for the regulation of insurance by CDI, which is under the control of the Insurance Commissioner. (Insurance Code, Section 12921)

- 2) Authorizes the Commissioner to issue subpoenas and subpoenas duces tecum for witnesses to attend, testify, and produce documents before the Insurance Commissioner, on any subject touching the insurance business, or in aid of their duties. (Insurance Code, Section 12924)
- 3) Provides that the acts and orders of the Commissioner are subject to such review, or other action by a court of competent jurisdiction, as is permitted or authorized by law. (Insurance Code, Section 12940)
- 4) Requires an admitted insurer with written California premiums totaling \$10,000,000 or more to submit a report to the Commissioner on its residential property experience data for the previous two years for policies written in California, including information on fire- or wildfire-incurred losses. (Insurance Code, Section 929)
 - a) Specifies that the above information submitted to the Commissioner is confidential and exempt from the California Public Records Act (CPRA); that information is not subject to subpoena or subpoena duces tecum; and that testimony by the Commissioner, the Commissioner's staff, an employee of CDI, or a person to whom the reporting was disclosed, regarding the contents of any report submitted is inadmissible as evidence in a civil proceeding. (Insurance Code, Section 929.1)
 - b) Requires the Commissioner to post a report on wildfire risk compiled from the data on the CDI's website. (Insurance Code, Section 929.2)
- 5) Requires an insurer to offer a payment under the contents coverage, generally referred to as personal property coverage, in an amount no less than 30 percent of the policy limit of the covered dwelling structure, up to \$250,000, without requiring the insured to file an itemized claim in the event of a covered total loss of a primary dwelling resulting from a state of emergency under a residential property insurance policy. (Insurance Code, Section 10103.7(b).)
- 6) Defines "state of emergency" as the duly proclaimed existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions such as air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, electromagnetic pulse attack, plant or animal infestation or disease, the Governor's warning of an earthquake or volcanic prediction, or an earthquake, or other conditions, other than conditions resulting from a labor controversy or conditions causing a "state of war emergency," which, by reason of their magnitude, are or are likely to be beyond the control of the services, personnel, equipment, and facilities of any single county, city and county, or city and require the combined forces of a mutual aid region or regions to combat, or with respect to regulated energy utilities, a sudden and severe energy shortage requires extraordinary measures beyond the authority vested in the Public Utilities Commission. (Insurance Code, Section 2051.5; Government Code, Section 8558)
- 7) Requires the insured to provide the insurer a written proof of loss within 60 days following the loss, unless this timeframe is extended by the insurer. (Insurance Code, Section 6010)

FISCAL EFFECT: Unknown.

COMMENTS:

- 1) *Purpose of the bill:* According to the Author: “Under current law, a homeowner experiencing a total loss from a declared emergency may recover an advance payment of 30%, or up to \$250,000, of the coverage limits of the insurance policy without an itemized claim. To receive the remainder of their policy payouts, homeowners are required to undergo the tedious and traumatizing task of creating an itemized list that includes the estimated value, age, and condition of every single item lost in the disaster. Even after policyholders complete a detailed inventory, many insurers only pay the depreciated value of these items unless the policyholder re-purchases and submits receipts for each and every item.

Due to the large scale of the January wildfires, many policyholders have been overwhelmed with the tasks of dealing with housing, family, employment, reconstruction, and other major adverse changes in their lives. SB 495 will ensure victims of future disasters receive expedited relief by removing the burdensome requirement to inventory home contents when filing insurance claims and provide more time for victims to submit proof of loss to their insurers.”

- 2) *Pacific Palisades and Eaton Catastrophic Wildfires:* This measure is in response to the recent wildfires. AB 495 seeks to accomplish a number of things: gather data regarding reinsurance and the use of probabilistic catastrophic models for the previous year by admitted insurers for certain lines of insurance totaling \$50,000,000. In recognition that this data is proprietary, the bill makes it confidential. The bill also requires insurers to offer 100 percent of the personal property policy coverage limit without an itemized claim from the policyholder in the event of a covered total loss of a dwelling resulting from a state of emergency, and provides more time for an insured to provide the insurer with proof of loss.

On February 6, 2025, the Insurance Commissioner issued a notice to all admitted and non-admitted residential property insurance companies asking them to exceed current legal obligations by providing 100 percent, but no less than 75%, of contents coverage limits without the need for policyholders to submit a detailed inventory of their personal property. This notice is an encouragement, not a requirement.

The committee received the following data as it relates to the above notice and the impacts this bill could have without recommended amendments. “At 30% of Cov A, the insurer would have paid \$254,332 per claim for contents. Instead, the insurer paid 75% of C, which ended up being \$422,615. That added \$132 million to their loss compared to the current law loss. A \$350,000 cap would still have resulted in a \$75 million loss relative to the current law requirements.”

- 3) *Concerns: Potential Impact on Rates.* Since 2018, the Legislature has enacted several proposals that expand benefits or protections to wildfire victims that could increase insurance rates, particularly in high-fire risk areas. However, there is little reliable information offered to project their potential impact on rates.

While this bill may have a positive impact on wildfire victims, it is likely to increase costs and insurance rates. Because these provisions are limited to large-scale emergencies, insureds who lose their homes in a standard residential fire will not benefit but may pay higher premiums.

- 4) *AB 3012*: Following catastrophic California wildfires in 2017 and 2018, after thoughtful negotiations, the Legislature passed and the Governor signed AB 3012. This measure addressed at the time one of the biggest complaints of a policyholder following these disasters: contents itemization. Policyholders did not like 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. AB 3012 offered policyholders an approximation of what a normal claim would be without needing 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.

Specifically, AB 3012 as it relates to this measure established an exception to typical insurance policy language that required 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 of the items. The law allows a policyholder to fully itemize and comply with other policy provisions in order to claim property losses that exceed that amount. Insurers are required to notify the insured of the option if they file a claim following an emergency.

Five years later, SB 495 would require admitted insurers to offer 100 percent of the personal property policy coverage limit without an itemized claim from the policyholder in the event of a covered total loss of a dwelling resulting from a state of emergency and removes the \$250,000 cap.

Standard homeowner's insurance policies cover lost or damaged personal property as well as the home ("Coverage C"). While insurers underwrite Coverage A, they often use a formula to arrive at a policy limit for Coverage C that is high enough so that even outlier policyholders with above average personal property can claim their full losses if they can provide an inventory and documentation. AB 3012 provided a minimum Coverage C payment of at least 30% of Coverage A, up to \$250,000, without the need to itemize or replace the property. This amount was found to be large enough so that most policyholders would not have to do an inventory and designed so that the standard will apply consistently across all insurers regardless of how they calculate Coverage C.

It's unclear what is wrong with the existing numbers established under AB 3012 or what data exists to conclude a higher percentage and no cap is necessary.

To be clear, this measure does not limit anyone's coverage and only impacts the inventory list. For example, under existing law, a policyholder is eligible for up to \$250,000 without providing an inventory list but if the policy is covered to \$600,000, the policyholder can still receive the difference by providing an inventory list.

- 5) *Coverage A and Coverage C*: Policies differ on the types of "perils" they cover. The most basic policy is the "fire insurance" policy. Fire policies cover damage caused by fire and lightning, but not damage caused by hail or windstorm. Fire policies, like those offered through the California Fair Access to Insurance Requirements (FAIR) Plan, are far less common but offer a more affordable option.

The most common form of homeowners policy is known as the comprehensive multi-peril policy, frequently referred to as the “HO3” policy (based on the form name given to it by its publisher, the Insurance Services Office), and is a bundle of separate coverages. The HO3 policy protects against a variety of property and casualty (legal liability) losses with each having a separate coverage limit and, sometimes, sublimits. The primary coverage of the policy is to repair or replace the home or dwelling and often referred to as “Coverage A”; it establishes the baseline for calculating other limits. For example, Coverage B pays for damage or loss to other structures, such as sheds or freestanding garages; a typical limit would be 10% of Coverage A. “Coverage C” pays for lost or damaged personal property, such as furniture and clothing, and is usually capped based on Coverage A limit. Other coverages include additional living expenses, personal liability, medical payments, and a slim version of workers’ compensation insurance covering “occasional workers.”

Most policies include limits, deductibles, and exclusions as a way to control costs and force the insured to retain some risk. That process is also intended to motivate homeowners to prevent losses and avoid filing small value claims.

SB 495 moves 30% of Coverage A to 100% of Coverage C. Within the traditional setting of how insurance works moving to coverage C could provide an inequity among neighbors with similar homes. CDI asserts that homeowners are confused by the current formula and that moving to a new formula based on Coverage C will help consumers better understand their options.

- 6) *Previous Legislation:* AB 3012 (Wood & Daly, Chapter 258, Statutes of 2020), among other provisions, required the insurer to pay at least 30% of the dwelling structure coverage, up to \$250,000, without an inventory of the items if a loss resulted from a state of emergency and an insured filed a claim for lost or damaged contents of a home.

SB 894 (Dodd, Chapter 618, Statutes of 2018) allowed a homeowner to use the full replacement value of other structures in a destroyed home to rebuild the insured structure without having to actually replace the destroyed other structures, and authorized a policyholder to claim an amount of contents coverage calculated as 30 percent of the limit of coverage for the insured dwelling without providing an inventory of the lost contents.

- 7) *Double-Referral:* Should this measure pass out of the Assembly Insurance Committee, it will move onto the Assembly Judiciary Committee. This committee did not analyze the provisions within the jurisdiction of the Assembly Judiciary Committee.
- 8) *Arguments in Support:* According to the sponsor, CDI, “The current formula used is 30% of primary structure (dwelling) coverage limits, and is capped at \$250,000. Not only is this formula confusing for policyholders given it is based on primary structure coverage, but it often results in insufficient payments for properties with higher limits - examples of which were common in the recent Los Angeles wildfires. Policyholders are also required to complete a content inventory and to submit proof of loss to insurers within 60 days of loss. This process is unduly burdensome for policyholders and unrealistic - many policyholders in the recent wildfires did not have access to their insured property for an extended period of time due to unsafe or hazardous conditions.”
- 9) *Arguments in Opposition:* According to the “trades” (identified below under opposition), “The trades are opposed to SB 495 because it requires insurers to make fraudulent

overpayments that will make insurance more expensive for millions of Californians as families struggle with the high cost of living. Furthermore, it would result in serious inequities between similarly situated consumers causing a new set of problems that should clearly be avoided.”

- 10) *Recommended Amendments*: It’s not a secret that the State Assembly made “affordability” a priority this year, rightfully so. The impacts of each piece of legislation on insurance rates is a huge concern of this committee. This committee held numerous oversight hearings on the Sustainable Insurance Strategy (SIS) where it’s been publicized that once fully implemented, the SIS reforms will have the ultimate impact of increased insurance rates on Californians. Even prior to the SIS being fully up and running, policyholders are already feeling the impacts of recent rate increases, which is out of the purview of the Legislature and in the power of the Insurance Commissioner. With this in mind, while also being sensitive to the victims of the recent wildfires, the committee is recommending the following amendments:

(To summarize, these amendments add clarifying changes to the report required by the insurers to CDI, changes number from 180 day to 100 days for a policyholder to provide proof of loss (existing law is 60 days), changes 6 months to 3 months extension to 100 days for good cause, changes 100% to 60% of contents coverage (existing law is 30% of Coverage A), adds a cap of \$350,000 (existing law is \$250,000), and allows an insurer to require an insured to sign an attestation form. Increasing the cap minimizes the impact of any inequity caused by the change in formula. The formula change is likely to spur greater standardization of Coverage C.)

- 1) On page 3, strike out lines 1 to 3, inclusive, and insert:

SECTION 1. Article 10.85 (commencing with Section 937) is added to Chapter 1 of Part 2 of Division 1 of the Insurance Code, to read:

- 2) On page 4, between lines 17 and 18, insert:

(1) The regularly updated information may include, but shall not be limited to, all of the following:

- (A) The overview of a reinsurance program.
- (B) The catastrophe program in place.
- (C) The type of risk covered.
- (D) The California-specific information.
- (E) Year-over-year changes.

- 3) On page 4, in line 26, strike out “on” and insert:
that shall only include data and information necessary to understand

- 4) On page 4, in line 26, after “reinsurance” insert:
program

- 5) On page 5, between lines 18 and 19, insert:

(b) The report shall include only data and indices aggregated sufficiently to avoid identification of individual company reinsurance practices.

- 6) On page 5, in line 19, strike out “(b)” and insert:
(c)
- 7) On page 5, in line 20, strike out “shall” and insert:

may
- 8) On page 5, in line 21, strike out “an insurer.” and insert:
admitted insurers under Section 937.1.
- 9) On page 7, in line 11, strike out “180” and insert:
100
- 10) On page 7, in line 14, strike out “six” and insert:
three
- 11) On page 7, in lines 16 and 17, strike out “approval for reconstruction, or reconstruction of, the property that are” and insert:
providing proof of loss that is
- 12) On page 7, in line 19, after “insured” insert:
may
- 13) On page 7, in line 19, strike out “following:” and insert:
following, where applicable to the specific claim:
- 14) On page 7, strike out lines 20 and 21 and insert:

(i) Delays by the insurer in acknowledging the claim or providing the claimant necessary forms, instructions, and reasonable assistance, including, but not limited to, specifying the information the claimant must provide for proof of loss.
(ii) For personal property coverage, the fact that a personal property inventory is premature if the primary structure has not yet commenced construction.
- 15) On page 7, in line 22, after “to” insert:
either
- 16) On page 7, strike out line 23 and insert:
work or create an estimate to rebuild, repair, or replace.
- 17) On page 9, in line 8, strike out “100” and insert:
60
- 18) On page 9, in line 11, after the comma insert:
up to a maximum of three hundred fifty thousand dollars (\$350,000),
- 19) On page 9, between lines 12 and 13, insert:

(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) As a condition of receiving the advance payment made pursuant this subdivision, an insurer may require the insured sign an attestation form. The attesting form may request that the insured acknowledge the residence was furnished and that the insured reasonably believes the personal property damaged or destroyed had a value that equates or exceeded the amount of the advance payment. The attestation form shall not contain any misleading or inaccurate information. The commissioner may issue a bulletin or promulgate a regulation that describes the parameters of an attestation form.

20) On page 9, in line 27, strike out "(2)" and insert:

(6)

REGISTERED SUPPORT / OPPOSITION:

Support

Consumer Watchdog
Department of Insurance

Oppose

American Property Casualty Insurance Association
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

Analysis Prepared by: Kathleen O'Malley / INS. / (916) 319-2086