



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 3/19/2018

Agenda Placement: 7E

## Napa County Legislative Subcommittee Board Agenda Letter

---

**TO:** Napa County Legislative Subcommittee  
**FROM:** Helene Franchi for Minh Tran - County Executive Officer  
County Executive Office  
**REPORT BY:** Molly Rattigan, Deputy County Executive Officer - 253-4112  
**SUBJECT:** AB 1797-Annual Policy Reassessment

---

### **RECOMMENDATION**

County Executive Officer requests discussion and possible action on AB 1797 (Levine), a bill that would require all insurance companies that offer residential property coverage to provide an estimated replacement value on all new policies and upon renewal of existing policies.

### **EXECUTIVE SUMMARY**

AB 1797 would require all insurance companies that offer residential property coverage to provide an estimated replacement value on all new business and annually thereafter for all renewed insurance policies. Additionally, for all insurance policies already in effect this bill would require an insurer to provide an estimated replacement value at its next renewal. If an insurer offers this updated replacement value and the policy holder refuses, the insurer will not be held liable after a loss if the policy limits are not sufficient to rebuild the covered property.

### **FISCAL IMPACT**

Is there a Fiscal Impact?                      No

### **ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

**BACKGROUND AND DISCUSSION**

Currently, California Code of Regulations Section 2695.183, require that if an insurer communicates a replacement cost estimate to a consumer or applicant, the estimate must be complete and current.

After each major declared disaster, insurance related issues arise in the recovery process that negatively impact property owners attempting to rebuild. The most common consumer complaint after every major wildfire is underinsurance. Underinsurance is caused when policy limits are not sufficient for disaster victims to rebuild. This issue is often caused by inaccurate or outdated replacement costs. Current regulations do not require an insurance company to conduct a replacement cost estimate or to update those estimates on a regular basis to keep up with inflation and rising costs over the life of an insurance policy. Many insurers create replacement cost estimates on new business, but usually only add an inflation factor in order to adjust coverage changes for renewing policies.

AB 1797 would require all insurance companies that offer residential property coverage to provide an estimated replacement value on all new business and annually thereafter for all renewed insurance policies. Additionally, for all insurance policies already in effect this bill would require an insurer to provide an estimated replacement value at its next renewal. If an insurer offers this updated replacement value and the policy holder refuses, the insurer will not be held liable after a loss if the policy limits are not sufficient to rebuild the covered property.

California State Association of Counties: Watch  
Rural County Representative of California: Pending

**SUPPORTING DOCUMENTS**

A . AB 1797 Fact Sheet

B . AB 1797 Text

Recommendation: Approve

Reviewed By: Molly Rattigan