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BEFORE THE CALIFORNIA STATE BOARD OF EQUALIZATION
651 BANNON STREET
SACRAMENTO, CALIFORNIA
STATE BOARD OF EQUALIZATION

JUNE 18TH, 2025
CALIFORNIA STATE BOARD OF EQUALIZATION
BOARD MEETING

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ITEM 10
BOARD MEMBER MATTERS:
REPORT ON THE BOARD'S MAY 28, 2025
INFORMATIONAL HEARING ON THE
UNDERINSURANCE CRISIS IN CALIFORNIA

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APPEARANCES

For the Board of
Equalization:

Honorable Ted Gaines
Chairman

Honorable Sally J. Lieber
Vice Chair

Honorable Antonio Vazquez
Third District

Honorable Mike Schaefer
Fourth District

Hasib Emran
Appearing for Malia M. Cohen
State Controller
(per Government Code
Section 7.9)

For the Board of
Equalization Staff:

Yvette Stowers
Executive Director

Mary Cichetti
Clerk
Board Proceedings and
Support Services

Public Speakers:

David Shaffer
Vice President
Heffernan Brignole
Insurance Services

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STATE BOARD OF EQUALIZATION
651 BANNON STREET, SACRAMENTO
JUNE 18TH, 2025

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ITEM 10

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MR. GAINES: All right. We're now looking at
Item 10, Report on the Board's May 28th --

MS. CICHETTI: It's about time for lunchtime
for us, our team here. We're well past our --

MR. VAZQUEZ: We kind of ran over.

MR. GAINES: We have. Yeah. Okay.
Vice Chair Lieber.

MS. LIEBER: If -- if I might, in the sense
that this is not an action item, I think I can dispense
with it very quickly, if that's a possibility.

Because I do need to step out of the afternoon
session and go to another meeting.

So if -- if it's okay with the Board, I'll --
I'll dispense with this one very quickly.

MR. GAINES: That's fine. Let's do so.

MS. LIEBER: Yeah. Thank you.

MR. GAINES: Great. Wonderful.

1 MS. LIEBER: So, Members, at our last meeting,
2 we heard testimony in our Informational Hearing on the
3 status of survivors' recovery from California firestorms
4 and consideration of the impact of
5 algorithmically-driven underinsurance.

6 You know, in all of our research on that, I
7 really consider it a silent threat to California
8 property owners, in the sense that so few people
9 understand what their current financial position is
10 like.

11 So in the attached report, we have coalesced
12 some of the policy options that were brought up by our
13 presenters. And I won't go through all of them here
14 today, but I would encourage you to read through them.

15 And the way that I would very broad-brush
16 characterize them was that it's transparency and
17 safeguards for consumers, and a call for accountability,
18 not just from our insurers and our Department of
19 Insurance, but also from the providers of the
20 algorithmically-driven information sources that are
21 relied on by consumers as true and correct, but appear
22 to be anything but that.

23 The financial stakes for Californians could
24 not be higher. And as we talk about the issues inherent
25 in recovery for those individuals that were affected by

1 the recent firestorms in Los Angeles, we know that there
2 are victims of previous fires even years ago that have
3 never been able to recover, and have never been able to
4 achieve anything like the shelter that they had.

5 And so what I plan to take from the options
6 that were brought up is, look at what -- what
7 resolutions would be beneficial for Californians,
8 which -- which options are politically feasible within
9 the context in which we work.

10 And then work to invite legislation on these
11 issues, and to bring back to this Board requests that
12 would go to the Department of Insurance to provide
13 additional information to consumers.

14 You know, I'm -- I'm very mindful from my own
15 personal history that just because a person is not
16 trained in matters such as the intricacies of insurance
17 and what they're signing up for, does not mean that they
18 should be cut down like the financial harvest that is
19 currently going on in terms of consumers.

20 So I will be bringing back some options, both
21 large and small. And one that is particularly
22 meaningful to me would be to revise the insurance code
23 to include a duty for insurance companies to warn
24 policyholders of the impact of full replacement.

25 And currently the Insurance Code

1 Section 10103.4 really places the onus on consumers that
2 do -- do not have, by and large, the expertise to really
3 know what their decision set is or should be.

4 And, again, I -- I take our charge here on the
5 Board of Equalization to safeguard the processes in this
6 respect, and to make sure that we're creating the
7 conditions that are fair for everyone. And that the tax
8 basis of our counties is upheld and protected. And
9 especially that individual Californians are not taken
10 advantage of.

11 And so there are things that -- that we can
12 do. And -- and I will be bringing those forward to this
13 Board.

14 Because the -- the current status quo is a
15 tattered safety net at -- at best. And the impact that
16 it has on individual Californians' lives is absolutely
17 tragic.

18 Their first victimization is the fire or other
19 natural disaster that they go through, or simply the
20 loss of their home. And the second is what happens to
21 them afterwards.

22 And few people realize that that road goes on
23 for years and years. And what can happen to them in the
24 longer term.

25 So I'll leave it at that, Mr. Chair.

1 And I will be bringing back items.

2 If there are questions.

3 MR. SCHAEFER: Yes.

4 MS. LIEBER: Mr. Schaefer.

5 MR. SCHAEFER: I want to say that the physical
6 material that was distributed to us, I found very
7 helpful at that meeting. I've kept it and read it and
8 reread it.

9 And also I see we have a communication from
10 David Shaffer, no relation. Is he expecting to speak to
11 us today or not?

12 MS. LIEBER: We'll let the Chair take all the
13 callers that we possibly have.

14 Thank you.

15 MR. GAINES: Wonderful.

16 Well, thank you.

17 Thank you very much for your report. Thank
18 you for the hearing.

19 I think you raised a lot of issues that are
20 challenges with making sure that people are insured
21 properly, especially in disasters. Because it just
22 becomes a geometric issue. And you want to make sure
23 people are treated fairly.

24 Okay. So how do we address this issue?

25 Do -- do we have -- we don't have anybody in

1 the audience. But is there anybody on the line, and --

2 MS. CICHETTI: Well, first of all, I just want
3 to make sure everyone realized, we did have a public
4 comment on this item. And it was distributed to all the
5 Board Members yesterday.

6 MR. GAINES: Oh, it was. Okay.

7 MS. CICHETTI: Yes.

8 And so that has been taken care of already.

9 So we could go to the AT&T moderator.

10 MR. GAINES: Yeah. Let's do that.

11 Thank you.

12 AT&T moderator, please let us know if anyone
13 is on the telephone line and would like to make a public
14 comment regarding this item on the agenda.

15 AT&T MODERATOR: Thanks.

16 If you do have a comment on this agenda,
17 please press one, then zero.

18 Again, please press one, then zero.

19 We do have line 17.

20 Please go ahead.

21 MR. SHAFFER: Good afternoon.

22 This is David Shaffer.

23 MR. GAINES: How are you, Mr. Shaffer?

24 MR. SHAFFER: Mr. Chairman, I'm doing great
25 today. A little exhausted from all the effort I put

1 into getting out the e-mail to all the Board Members
2 yesterday.

3 And, like Ken, I could use a vacation in --
4 on -- in Hawaii, or any place else after.

5 So thank you, Mr. Chairman, Vice Chair
6 Sally Lieber, and fellow Board Members.

7 As you know, I had the opportunity to speak
8 before you at the May 28th meeting from the unique
9 perspective of a professional independent insurance
10 agent to provide a solution to the underinsurance of
11 homes in California.

12 But I want to first ask all of you for your
13 forgiveness. Yesterday, when I e-mailed you my 29 --
14 collectively, in one e-mail, my 29-page bold proposal,
15 called "Reforming Home Insurance in California, A
16 Solution to Underinsurance," I realized after I hit the
17 send button, and it was too late, that I should have
18 e-mailed you individually, not together.

19 Because I was not aware, or had been aware of,
20 but I was so exhausted, I forgot about this, there's the
21 Bagley-Keene Act. In which I don't want to violate by
22 having, you know, cross-communication with everyone at
23 once.

24 So I was under pressure from my loved one
25 saying, "David, aren't you finished with this yet?"

1 And she said, "Get it -- just hit send. Hit
2 send."

3 So I didn't -- I don't want to do anything to
4 jeopardize this important, very important discussion.

5 So with that in mind, I feel awful about
6 sending this -- my e-mail, my proposal collectively to
7 all of you in one -- in one -- at once.

8 I promise to never do that again. And I ask
9 for your forgiveness.

10 MR. GAINES: Thank --

11 MR. SHAFFER: So I want to go on to say
12 that -- go ahead. Yes.

13 MR. GAINES: Yeah. Thank you, Mr. Shaffer.

14 And I think as long as we don't respond to
15 that e-mail, I think we're -- we're okay.

16 But thanks for clarifying that upfront.

17 MR. SHAFFER: Perfect. Thank you.

18 And then moving forward, I hope to be able to
19 communicate with you each individually.

20 Because that's, I understand, how it needs to
21 happen. So that's -- that's how I'm going to prevent
22 this from happening again.

23 So now, as you know, I was asked to present my
24 ideas on how to solve the underinsurance crisis in
25 California.

1 And when I asked the question, "Do we all want
2 to solve the problems of underinsurance once and for
3 all?" All of you shook your -- nodding your heads up
4 and down, "Yes. Yes, we do."

5 So, Professor Ken Klein, Amy Bach, United
6 Policyholders, and the great reporting from
7 Susie Neilson and Megan Muntz at the San Francisco
8 Chronicle, have thoroughly investigated and diagnosed
9 the problem, which are -- which is the major flaws in
10 the replacement cost estimators used by agents and
11 insurance companies.

12 And Amy Bach says the fundamental
13 underinsurance problem occurs right when the home --

14 MS. CICHETTI: Time is expired.

15 MR. SHAFFER: -- policy is purchased.

16 MS. CICHETTI: Time's expired.

17 MR. SHAFFER: Okay. I'll be -- I'll be
18 almost -- may I ask for just for two more minutes,
19 please?

20 MR. GAINES: Yeah. If you could just wrap up
21 quickly, we would appreciate that.

22 MR. SHAFFER: Okay. I will.

23 So basically my proposal was divided into two
24 sections: The 10 parts that I think need to be reformed
25 in California that will once and for all solve this

1 problem. And then after that, part two of my proposal
2 goes into a much deeper dive as to why I stand behind
3 those 10 items.

4 To my knowledge, I don't think anyone else has
5 yet submitted a comprehensive of any proposal on how to
6 solve the underinsurance problem.

7 So you -- you can share it with anyone. And I
8 look forward to continuing to work with you
9 collaboratively to solve this problem.

10 And, Ted, to you especially. Because you're
11 an insurance agent. You -- you have a better
12 understanding than most of the people, because of your
13 background like me --

14 MR. GAINES: Yes.

15 MR. SHAFFER: -- in insurance.

16 So I look forward to talking with you
17 individually --

18 MR. GAINES: Yes.

19 MR. SHAFFER: -- as soon as that can happen.

20 MR. GAINES: Yeah. Thank you.

21 I appreciate that, Mr. Shaffer.

22 Okay.

23 MR. SHAFFER: You're welcome.

24 MR. GAINES: Yeah. Wonderful.

25 Thank you.

1 AT&T moderator, do we have anybody else that
2 is on the line?

3 AT&T MODERATOR: At this time, there's no one
4 else in queue.

5 MR. GAINES: Okay. Thank you, moderator.

6 Thank you, Members.

7 I think -- would you like to make some closing
8 comments?

9 MS. LIEBER: Certainly.

10 And I appreciate Mr. David Shaffer, and -- and
11 our own Mr. Schaefer who's here on the dais with us, for
12 providing their unique contributions.

13 And David Shaffer has provided us with a very
14 good set of recommendations to work from. And so we
15 will be availing ourselves of his expertise, as well as
16 tapping into some of the advocacy community who are not
17 able to be with us here.

18 And, again, I appreciate the Board hearing the
19 issue, it's an issue that is so important to give a
20 platform to. And to convey the message through all
21 those that we touch that we are concerned about the
22 everyday life of Californians, and -- and what happens
23 to them. Particularly when financial stakes are so
24 high, and it is a permanent life impact to them.

25 So more to come on -- on this issue.

1 And so we'll be bringing items back to the
2 Board.

3 Thank you.

4 MR. GAINES: Yeah.

5 Thank you, Vice Chair Lieber.

6 Okay. Members, at this time, we agree we're
7 going to take a one-hour lunch break. And we will
8 reconvene at 2:02.

9 (Whereupon Item 10 concluded.)

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REPORTER'S CERTIFICATE

State of California)
) ss
County of Sacramento)

I, Jillian Sumner, Hearing Reporter for the
California State Board of Equalization, certify that on
June 18, 2025, I recorded verbatim, in shorthand, to the
best of my ability, the proceedings in the
above-entitled hearing; that I transcribed the shorthand
writing into typewriting; and that the preceding
pages 1 through 12 constitute a complete and accurate
transcription of the shorthand writing.

Dated: July 31st, 2025



JILLIAN SUMNER, CSR #13619
Hearing Reporter