

BACKGROUND

- The [California Household Mover Act \(Act\) - \(SB 19\)](#) was signed into law on October 2, 2017 and became effective July 1, 2018. The Act was created in part to address consumer complaints about “bad actor” moving companies holding contents hostage, charging exorbitant prices for moves, and engaging in other bad faith actions. The Act also transferred regulatory authority over Household Movers from the CA Public Utilities Commission (PUC) to the [Bureau of Household Goods and Services \(BHGS\)](#). The California Department of Consumer Affairs (DCA) has direct oversight over the BHGS.
- “Household mover” is defined as “...every corporation or person, their lessees, trustee, receivers, or trustees appointed by any court whatsoever, engaged in the permitted or unpermitted transportation for compensation or hire as a business by means of a motor vehicle or motor vehicles being used in the transportation of used household goods and personal effects over any public highway in the state...”.
- As passed, the Act requires any person or entity acting as a “Household Mover” in California to obtain a Household Mover Permit issued by the BHGS and to follow all rules, regulations, general orders, and the [Max Rate 4 Tariff \(Max 4\)](#).
- The Max 4 pricing structure was developed by the PUC in efforts to regulate the maximum allowable rates that Household Movers could charge for their services. The Act transferred that authority to the BHGS, which now has direct oversight over the Max 4, including the power to amend pricing rules and rates charged for specific services.
- With regards to publicizing the new permitting requirements, the DCA issued two press releases stating damage restoration companies performing transportation and off-site storage of household contents would be considered Household Movers and subject to the Act’s permitting and rate structure. [Press Release 8/09/18](#) and [Press Release 5/30/19](#).
- More recently, the Bureau also issued “[Industry Advisory 19-03, Moving Household Goods-Who is Required to Hold a Permit?](#), in which the Bureau states again *“If a restoration company transports the household goods for compensation over a highway in California, that restoration company is subject to the statutory requirements of the Act and must be permitted by the Bureau as it is operating as a household mover.”*

PRIMARY ISSUES

- **PERMITTING**
Obtaining a **Household Mover Permit** under the Act involves an extensive application process and requires the applicant to pass an exam demonstrating working knowledge of the Max 4. ([Permit Application](#) is best viewed in Internet Explorer).

Potential issues include:

- Training on Max 4 model for restoration professionals and insurance adjusters.

- **MAX 4 vs. XACTIMATE™**

Very different pricing models for different services performed across different industries. Damage Restoration professionals will not only need a working knowledge of the Max 4 for permitting requirements but will also be required to implement Max 4 rates for any transportation of contents over public roads and off-site storage.

Differences include:

- Max 4 has a 90-day limit on off-site contents storage.
- Max 4 allows homeowner to collect \$100/day for every day their contents are not picked-up or delivered if it varies from the original date listed on the estimate.
- Max 4 has only two (2) geographic territories for distance rate moves and three (3) rate territories for hourly moves and packing/unpacking services. Xactimate currently utilizes **34 price lists** (based on zip code) for the state of California.
- Packing/unpacking maximum rates are per container per hour.
- Packing/unpacking charges must be figured separately; then combined for total cost.
- Sample job estimates indicate Max 4 rates may be much higher than Xactimate™ estimates for standard off-site pack-outs relating to damage restoration services. (By our sample calculations, approximately 40% higher.)

Example: Comparison of only those items and services that have similar rates under both pricing platforms.

Scenario: Basic example of 3 individuals taking 2 days to complete a pack-out requiring 140 Medium sized boxes and storage of 4 vaults for 3 months.

Xactimate™ Pricing = \$4,928.40. Price includes one individual billed as a Supervisor.

Max 4 Pricing = \$6,961.40, with the assumption the customer requested Actual Cash Value protection of \$20,000 in goods.

- **QUALITY OF SERVICE**

- **CYCLE TIME.** Damage restoration professionals are often called out within 2-4 hours to perform emergency services. Traditional Household Movers schedule moves weeks or months in advance.
- **ACCESS.** Access to contents is very different. Hazardous conditions are often present with damage restoration professionals; limited/restricted road access; compromised power sources, etc.
- **WORKING CONDITIONS.** Damage restoration professionals often work in hazardous conditions, (i.e. flood; standing water; fire/soot; biohazard; sewage) wearing PPE and taking other precautions. Traditional household movers perform services in optimum

conditions. Max 4 rates do not allow for extra costs associated with working in hazardous conditions.

- CONTENTS EVALUATION. Damage restoration professionals perform extensive contents evaluation to determine what contents can be moved, left for adjuster evaluations, salvaged or discarded. Damage restoration companies also utilize special software to report conditions of contents.
- **VALUATION**

Max 4 allows for customer's choice of: (1) actual cash value up to \$20,000; (2) \$0.60 per lb./article; or (3) full value (current replacement value).

 - This could have an impact on the policy holder's contents coverage.
- **LABOR**

Under Max 4, packing and unpacking charges may be made either on an *hourly* basis or *per unit* basis.

 - If the move is greater than 100 constructive miles, it is considered a long-distance move and must be charged on a **weight and mileage basis**. If charges are based on weight, the moving van shall be weighed by a certified weighmaster on a certified scale before and after loading.
 - If the move is 100 constructive miles or less, it is considered a local move and is usually **charged by the hour**. In certain circumstances, minimum charges may be allowed. Inventory reports may be billed under an hourly move.

CURRENT STATUS

- Servpro Industries, LLC has expressed to select members of the California legislature, the Department of Consumer Affairs, and the Bureau of Household Goods and Services (BHGS) the vast differences between damage restoration companies and traditional moving companies and why they should not be regulated in the same manner utilizing the same pricing platform. **Unfortunately, the BHGS maintains: (1) their authority extends to Damage Restoration Companies performing off-site pack-outs; (2) Household Mover permits are required; and (3) the Max 4 Rate Tariff must be used.**
- Effective **January 1, 2020**, California ([SB 391](#)) authorizes a person employed as a Special Investigator or Supervising Special Investigator by the BHGS to issue a written notice to appear in court or assist in the enforcement of violations. To date, enforcement of permitting requirements has been light with respect to restoration companies, but a spike in enforcement actions is anticipated after the first of the year. **(See ATTACHMENT 1)**
- The Max 4 pricing model must be used on all estimates and billing related to transporting household contents off-site. Updated Max 4 rates are now available on the BHGS' website, <https://bhgs.dca.ca.gov/> or [\[here\]](#), effective January 1, 2020. **(See ATTACHMENT 1)**

CALIFORNIA HOUSEHOLD MOVER ACT

Public Talking Points

- A “broker” or person engaged by others in the act of arranging, *for compensation*, in the intrastate transportation of used household goods by a motor vehicle over the highways of this state for, or on behalf of, a shipper (homeowner), a consignor, or a consignee, is also required to hold a Household Mover permit.
 - It is unclear whether insurance adjusters, public adjusters, and third-part administrators would be considered “brokers” if they arrange for the transportation component of an off-site pack-out.
- Penalties may result in one or more of the following:
 - **Criminal/Administrative penalties** include a fine of up to \$10,000 and/or imprisonment in jail for up to one year, *for each violation*;
 - **Civil penalties**, if assessed, (a) can prevent an unpermitted household mover from enforcing any security interest to recover money owed for transportation of goods, and (b) would allow any person who utilizes the services of an unpermitted household mover may bring civil action to recover all money paid to that mover. The Bureau cannot force a refund, but the homeowner can file suit seeking to recover all monies paid to an unpermitted mover.
 - Contracting with an unpermitted household mover is considered a misdemeanor and could result in a fine up to \$1,000 and/or three months in jail, *for each violation*.
- By statute, the BHGS is required to complete a formal rulemaking process to review the Act and Max Rate 4 Tariff in its entirety and adopt final rules by January 1, 2023.

CALL TO ACTION

- **CALIFORNIA BUREAU OF HOUSEHOLD GOODS AND SERVICES (BHGS)**

The BHGS has requested formal statements, including proposed solutions, from the damage restoration industry.

Please submit comments to:

Yeaphana LaMar, Policy Manager
California Bureau of Household Goods and Services
4244 South Market Court, Suite D
Sacramento, CA 95834-1243
homeproducts@dca.ca.gov
(916) 999-2041
www.bhgs.ca.gov

- **ADVISORY COUNCIL OF THE BHGS**

The Advisory Council of the Bureau of Household Goods and Services helps provide valuable feedback, advice and perspective on various policy issues and industry and consumer-related concerns. The next Advisory Council meeting is **March 12, 2020**. Public participation is strongly encouraged at the next Advisory Council meeting. The meeting is also offered via teleconference and webcast. For more information and minutes from previous meetings, please see: https://bhgs.dca.ca.gov/about_us/meetings/index.shtml.

- **CALIFORNIA DEPARTMENT OF INSURANCE**

Please submit comments regarding mandated rates set by the **Maximum Rate Tariff 4** to:

Ken Allen

Deputy Commissioner, Rate Regulation

California Department of Insurance

300 South Spring Street

14th Floor South Tower

Los Angeles, CA 90013

(213) 346-6783

Ken.allen@insurance.ca.gov

www.insurance.ca.gov

ATTACHMENT 1

The Bureau of Household Goods and Services (BHGS) recently released two updates concerning the California Household Movers Act:

- MAX 4 Tariff (Updated January 2020) and
- HHM Laws, Rules and Regulations (Revised January 1, 2020)

Maximum Rates and Rules for the Transportation of Used Property (“MAX 4 Tariff”) **Revised/Effective: January 1, 2020**

Revisions were largely rate increases and general housekeeping edits. Below is a summary of some of those changes:

- All rates provided in the MAX 4 Tariff were increased over the last published version
- GENERAL EDIT: “constructive miles” replaced with “miles”
- GENERAL EDIT: “telegraph” replaced by “email” or “email address”
- GENERAL EDIT: “Carrier” replaced with “Mover”

Household Movers Act Laws, Rules, and Regulations **REVISED: January 2020**

The only change made to the HHM Laws, Rules and Regulations was the addition of the following provision to **Section 19283.1**. Effective **January 1, 2020**, select BHGS personnel now have the authority to enforce violations under the HHM Act.

“(f) Notwithstanding any other law, a person employed as a special investigator or supervising special investigator by the bureau and designated by the director shall have the authority to issue a written notice to appear in court pursuant to Chapter 5C (commencing with Section 853.5) of Title 3 of Part 2 of the Penal Code for a violation of a provision for which a peace officer may enforce or assist in the enforcement pursuant to subdivision (c). An employee so designated is not a peace officer, is not entitled to safety member retirement benefits as a result of the designation and does not have the power of arrest.”