

Introduced by Senators McGuire and Dodd
(Coauthors: Assembly Members Levine and Wood)

January 12, 2018

An act to amend Section 2060 of, and to add Sections 2061 and 2062 to, the Insurance Code, relating to residential property insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 897, as introduced, McGuire. Residential property insurance: wildfires.

Existing law defines the measure of indemnity for a loss under a property insurance policy. Existing law requires an insurer, in the event of a loss under a residential insurance policy for which the insured has made a claim for additional living expenses, to provide the insured with a list of items that the insurer believes may be covered under the policy as additional living expenses. Additionally, existing law provides that, in the case of a loss related to a declared state of emergency, an insurer provide coverage for living expenses for a period of 24 months, subject to the limitations of the policy.

This bill would specify that additional living expense coverage shall include all reasonable expenses incurred by the insured in order to maintain a comparable standard of living and would provide a list of expenses that shall be covered. The bill would also authorize an insured to collect, in lieu of additional living expenses, the fair rental value, as defined, of the dwelling that has suffered a loss.

This bill would require, for losses related to a declared state of emergency, that the insurer provide an advance payment for living expenses and an advance payment for contents, the insurer to accept an inventory of contents in any reasonable form permit the grouping of certain items in an inventory of contents, and offer a settlement for no

less than 80% of the policy limit for contents in lieu of an itemized claim.

This bill would require an insurer to offer a 30-day grace period for payments of premiums for policies on property located within a declared state of emergency for a period of 30 days after the declaration of the emergency and would prohibit an insurer from canceling a policy for nonpayment or assessing a late fee during the grace period.

This bill would apply specified provisions retroactively to any applicable claim filed on or after July 1, 2017.

Vote: majority. Appropriation: no. Fiscal committee: no.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 2060 of the Insurance Code is amended
 2 to read:

3 2060. (a) In the event of a loss under a ~~homeowners'~~
 4 *residential property* insurance policy for which the insured has
 5 made a claim for additional living expenses, the insurer shall
 6 provide the insured with a ~~list~~ *list, in writing*, of items that the
 7 insurer believes may be covered under the policy as additional
 8 living expenses. The list may include a statement that the list is
 9 not intended to include all items covered under the policy, but only
 10 those that are commonly claimed, if this is the case. If the
 11 department develops a list for use by insurers, the insurer may use
 12 that list.

13 (b) *Additional living expense coverage under a residential*
 14 *property insurance policy shall include reimbursement for all*
 15 *reasonable additional expenses incurred by the insured in order*
 16 *to maintain a comparable standard of living following a covered*
 17 *loss. These additional costs shall include, but not be limited to,*
 18 *housing, furniture rental, food, transportation, storage, and*
 19 *boarding of pets and livestock.*

20 (c) *Under a residential property insurance policy for which the*
 21 *insured has made a claim for additional living expenses, the*
 22 *insured may, at his or her option and in lieu of itemized expenses,*
 23 *choose to collect the monthly fair rental value of the dwelling for*
 24 *the duration of the time it is not inhabitable due to the covered*
 25 *loss, up to the limits of the policy. For purposes of this section,*
 26 *the fair rental value is the amount the insured dwelling could have*

1 *demanded for rental in furnished condition at the time the claim*
2 *is filed.*

3 SEC. 2. Section 2061 is added to the Insurance Code, to read:

4 2061. In the event of a covered loss relating to a state of
5 emergency, as defined in Section 8558 of the Government Code,
6 the following special provisions shall apply:

7 (a) If an insured has made a claim for living expenses related
8 to a total loss, an insurer shall, upon request by an insured, render
9 an advance payment of no less than four months of living expenses
10 or fair rental value. Insurers shall adopt a standard four-month
11 additional living expense or fair rental payment amount. Additional
12 payment for additional living expenses or fair rental value shall
13 be payable upon proper proof following the advance period.

14 (b) If an insured has made a claim related to a total loss of a
15 primary residence, an insurer shall render an advance payment of
16 no less than 25 percent of the policy limit for contents without the
17 completion of an inventory. Additional payment for contents shall
18 be payable upon request with proper proof.

19 (c) If an insured has made a claim for contents related to a total
20 loss of a primary residence, an insurer shall not require that the
21 insured use a company-specific inventory form if the insured can
22 provide an inventory using a form that contains substantially the
23 same information. Nothing in this subdivision limits the authority
24 of an insurer to seek additional information from an insured upon
25 receipt of an inventory form submitted by an insured.

26 (d) If an insured has made a claim for contents related to a total
27 loss of a primary residence, an insurer shall accept an inventory
28 that includes groupings of categories of personal property,
29 including, but not limited to, clothing, shoes, books, food items,
30 CDs, DVDs, or other categories of items for which it would be
31 impractical to separately list each individual item claimed.

32 (e) If an insured has made a claim related to a total loss of a
33 primary residence, the insurer shall, upon the request of the insured,
34 offer a settlement for no less than 80 percent of the policy limit
35 for contents in lieu of requiring the insured to file an itemized
36 claim. A settlement made pursuant to this subdivision shall release
37 the insurer from any further indemnity for loss of contents related
38 to the claim.

39 SEC. 3. Section 2062 is added to the Insurance Code, to read:

1 2062. In the event of a state of emergency, as defined in Section
2 8558 of the Government Code, an insurer shall grant a 30-day
3 grace period for payment of premiums for residential property
4 insurance policies covering a property located within the affected
5 area defined in the state of emergency for a period of 30 days after
6 the emergency. During the grace period, a policy may not be
7 canceled for nonpayment of a premium and a late fee shall not be
8 assessed.

9 SEC. 4. The provisions of this bill are severable. If any
10 provision of this bill or its application is held invalid, that invalidity
11 shall not affect other provisions or applications that can be given
12 effect without the invalid provision or application.

13 SEC. 5. Section 2 of this bill, and the amendatory provisions
14 of Section 1 of this bill, shall be applied retroactively to any
15 applicable claim filed on or after July 1, 2017.