

DEPARTMENT OF INSURANCESan Francisco, CA 94105
www.insurance.ca.gov**NOTICE OF RECENTLY ENACTED STATUTES**

To: ALL PROPERTY AND CASUALTY INSURERS AND INTERESTED PERSONS

Date: October 31, 2007

SUBJECT: Laws Enacted Subsequent to 2003 Southern California Wildfires

The purpose of this Notice is to remind insurers and other licensees of provisions of law enacted after the 2003 wildfires that impact claims handling, renewals or underwriting of home owners coverage. These recent additions to the Insurance Code provide additional protections to victims of catastrophic losses such as those experienced due to the recent wildfires in southern California. The Department of Insurance expects careful adherence to the requirement of these laws by all insurers and other entities or persons doing insurance business in California.

HOMEOWNER'S BILL OF RIGHTS of 2004		
Insurance Code Section	Summary of Law	Bill Information
<p>§675.1 (a), (b), (c) <i>Reconstruction of primary residence & policy renewal</i></p>	<p>(a) Insurers cannot cancel insurance for a primary residence when it is up for renewal and hasn't been rebuilt yet. Insurers, with input from homeowner/insured, may adjust policy limits, coverage, and premium payment before or at the time of renewal.</p> <p>(b) Insurers cannot cancel insurance while the primary residence is being rebuilt, except for reasons stated in Insurance Code section 676. Insurer cannot use the fact that the primary residence is damaged as a basis for cancelling insurance.</p> <p>(c) Insurers must renew the insurance policy at least once if a total loss to the primary residence was caused by a disaster and not by the homeowner/insureds negligence.</p>	<p>AB 2962 Ch. 605 (2004)</p>
<p>§2051 (a) & (b) <i>Amount of recovery with an "actual cash value" policy</i></p>	<p>(a) The amount of recovery for fire insurance that requires payment of actual cash value for the loss is the expense to the homeowner/insured of replacing what was lost as of the time the fire began.</p> <p>(b) For a total loss to the home/structure, the amount recovered is the policy limit or the fair market value of the home/structure, whichever is less. For a partial loss to the home/structure or loss to its</p>	<p>AB 2962 Ch. 605 (2004)</p>

	<p>contents, the amount recovered is what it costs to repair, rebuild or replace the home/structure or contents minus a fair and reasonable deduction for depreciation, whichever is less. The depreciation only applies to the parts of the home/structure that are subject to repair and replacement during the useful life of the structure.</p>	
<p>§2051.5 <i>Amount of recovery with a “replacement cost” policy</i></p>	<p>Requires payment of the replacement cost for a fire loss based on what it would cost the homeowner/insured to repair, rebuild or replace the home without a deduction for physical depreciation.</p> <p>Allows at least 12 months to rebuild and still receive replacement costs with possibility of a 6 month extension. If a declared disaster (Governor’s State of Emergency), homeowner/insured has at least 24 months to repair, rebuild or replace the home.</p> <p>Allows homeowner/insured after a total loss, to rebuild or replace the home at a location other than the original location of the total loss.</p>	<p>AB 2199 Ch. 311 (2004)</p>
<p>§10089.70 (b) <i>Homeowner’s Mediation Program</i></p>	<p>Claims for residential property losses (other than from earthquakes) occurring after 9/30/2003 for which the Governor has declared a state of emergency, may be referred by the Department of Insurance to it’s mediation program for discussion of possible payments over the policy limits. Sets other conditions for mediation.</p>	<p>SB 64 Ch. 357 (2004)</p>
<p>§10102 §10103 §10103.5 <i>Property Insurance Disclosure form</i></p>	<p>Modifies the California Residential Property Insurance Disclosure form that insurers have to send to homeowners/insureds. Adds a new disclosure requirement known as the California Residential Property Insurance Bill of Rights which has to be sent to homeowners/insureds every other year.</p>	<p>SB 1855 Ch. 385 (2004)</p>
OTHER PROTECTIONS		
<p>§678 <i>Policy expiration, renewal, notice</i></p>	<p>Insurers must inform insureds in writing of any increase or decrease in the annual premium for residential property insurance and certain other insurance compared to the previous year; the reasons for the change; telephone numbers and information regarding consumer complaints.</p>	<p>AB 1191 Ch. 571 (2003)</p>
<p>§679.9 <i>Information to</i></p>	<p>If insurer changes annual premium, an insured can request in writing certain information that shall be sent to the insured</p>	

<i>insureds when annual premium payment changes</i>	within 15 business days of the request.	
§791.12 <i>Adverse Underwriting Decisions</i>	Insurers cannot cancel, fail to renew, increase premium amount (adverse underwriting decisions) based on the fact that the insureds has asked questions about their residential fire or property insurance policy limits, coverage, etc.	AB 1049 Ch. 442 (2003)
§2060 <i>Additional Living Expenses</i>	If a state of emergency has been declared, coverage for additional living expenses shall be for a period of 24 months. Insureds must provide homeowner/insureds with a list of items that are covered by the “additional living expense” part of the insurance policy.	SB 2 Ch. 447 (2005)
§677.4 <i>Notice Requirements for Cancellation</i> §2071; §2074.7; §2074.8; §5093; §6010 <i>Fire Ins. policies</i>	Establishes the notice requirements for cancellation of property insurance to at least 20 days, except if cancellation is for non-payment of premiums then at least 10 days. These sections revise the California Standard Form Fire Insurance Policy, the California Standard Form of County Fire Insurance Policy and amend cancellation rights and responsibilities.	AB 1727 Ch. 148 (2003)
§15006 & 15027 <i>Public Insurance Adjusters</i> §15027.1 <i>Public Insurance Adjuster Disaster Assistance</i>	Raises the fines for violations of these provisions. Adds requirements to the contract between the Adjuster and the insured/client. Prohibits a public insurance adjuster from soliciting business from homeowners/insureds until seven (7) days after a disaster (state of emergency declared by Governor or more than 25 dwellings damaged or destroyed), unless the homeowner/insured or their representative contacts the adjuster directly.	AB 1953 Ch. 600 (2004) SB 518 Ch. 448 (2005)

Dated: October 31, 2007

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DENNIS WARD
Chief Deputy Insurance Commissioner-Operations