



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

NOTICE

TO: All Admitted and Non-Admitted Residential Property Insurance Companies and Other Interested Parties

FROM: Insurance Commissioner Ricardo Lara

DATE: November 12, 2020

RE: Fire Victims Trust and “Good Cause” Delays in Rebuilding or Replacing Homes Due to the 2017 and 2018 Wildfires

In 2017 and 2018, California experienced several devastating wildfires that destroyed thousands of homes and businesses, caused multiple fatalities, and left thousands homeless. Due to circumstances beyond the control of many of the affected policyholders, including extensive damage to structures and properties resulting from the wildfires, a severe shortage of building contractors and building supplies in the immediate area, and a debris removal process that took several months longer than anticipated, it is taking longer to repair and rebuild the destroyed homes than it would typically take in a non-disaster event or a less extensive disaster event.

Many policyholders are not able to complete rebuilding plans or decide whether to rebuild at the loss location or purchase an existing home at another location because they do not yet know the total amount of insurance proceeds that they will ultimately receive from their insurance company. Additionally, many policyholders have not yet been paid the full replacement cost for their loss by their insurance company, including any remaining balance due on replacement cost, extended replacement cost, and building code upgrade costs because those costs have not yet been incurred by the policyholders due to delays in the rebuilding process.

Depending on where and when the loss occurred, certain policyholders may be entitled to a payment of benefits from the Fire Victims Trust (FVT), a fund established as a result of Pacific Gas & Electric Company (PG&E) filing bankruptcy (*United States Bankruptcy Court Northern District of California, San Francisco Division, Case No.: 19-30088 (DM)*). The FVT was established to pay certain 2017 and 2018 wildfire victims for loss amounts that exceed the insurance policy benefits they receive.

Those policyholders who expect to receive funds from the FVT are unable to file a claim for benefits with the FVT until their insurance company pays all policy benefits.

Fire Victims Trust and “Good Cause” Delays in Rebuilding or Replacing Homes Due to the 2017 and 2018 Wildfires

Page 2 of 2

November 12, 2020

Additionally, the FVT cannot pay benefits to such policyholders until the FTV determines that the policy benefits received by the policyholders are insufficient to pay for all the wildfire related losses. Because the FVT cannot quantify the restitution available to each policyholder or pay any policyholder any benefits under the FVT until the policyholder receives all proceeds from their insurance company, those policyholders are unable to complete their plans to rebuild or make an informed decision regarding whether they have enough funds to rebuild their lost home, rebuild a lesser structure, or purchase an already existing home at another location.

In addition, many policyholders who remain eligible for Loss of Use or Additional Living Expense (ALE) benefits are being told by their insurance company that their ALE will be discontinued because they have not yet commenced the rebuilding process or have begun, but not completed, the rebuild of their home even though the rebuilding process cannot be commenced or completed without the additional funds from the FVT.

The California Department of Insurance has received numerous consumer complaints alleging that they are being denied continued ALE coverage for circumstances beyond their control even though they are unable to commence or complete the rebuilding process until they receive proceeds from the FVT.

Based on the foregoing, I am requesting all residential property insurance companies to consider it to be good cause and/or circumstances beyond the policyholders' control in any case where the policyholder is experiencing a reasonable delay rebuilding or purchasing an existing home in a different location. My request includes circumstances where the policyholder is waiting for funds from the FVT and/or where the insurance company has not fully paid all estimated replacement cost benefits including, but not limited to, the remaining balance due on replacement cost, extended replacement cost, and building code upgrade cost benefits, up to all policy limits. All residential property insurance companies are also requested to extend the time for policyholders who suffered a total loss in the 2017 and 2018 wildfires to collect ALE and full replacement cost benefits under these same circumstances.

Any questions to this Notice can be directed to:

Jully Pae, Senior Staff Counsel

Consumer Law Unit

jully.pae@insurance.ca.gov

(213) 346-6208