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CALIFORNIA INSURANCE COMMISSIONER

NOTICE

TO: All Residential Property Insurance Companies, Licensed Independent Insurance Adjusters, Insurance Agents/Brokers, and Other Interested Parties

FROM: Commissioner Ricardo Lara

DATE: April 2, 2021

RE: Annual Notice - Significant California Laws Effective as of the Date of this Notice Pertaining to Residential Property Insurance Policies, including those related to a Declared State of Emergency

The California Department of Insurance (CDI) is required to prepare and deliver to admitted insurers and licensed insurance adjusters an annual notice describing the most significant California laws pertaining to property insurance policies, including those related to a declared state of emergency. [California Insurance Code (CIC) [section 14046\(a\)\(1\)](#)] This year's annual notice will be available on CDI's Insurance Adjuster Requirements web page, in the "Education" section at <http://www.insurance.ca.gov/0200-industry/0050-renew-license/0200-requirements/insurance-adjuster.cfm>. CDI may also issue interim updates if significant changes to the law occur during the course of this year. These updates will also be available on CDI's website.

Since at least 2007, after major wildfire events, CDI has distributed notices to insurers, agents/brokers, and adjusters, regarding significant California laws that pertain to residential property insurance policies. These notices focus on wildfire claims. This and prior notices can be found on CDI's website at: <http://www.insurance.ca.gov/01-consumers/140-catastrophes/WildfireResources.cfm>. Consult the notice applicable to the date of the pertinent fire or other declared emergency to determine which laws were applicable at the time.

For claims under a policy of residential property insurance arising as a result of a declared state of emergency, every residential property insurance company is required to provide the claimant with a copy of this or the most recent notice no later than 15 calendar days from the date on which the insurer received notice of the claim. It is expected that all residential property insurers and insurance adjusters will comply with the following laws for residential property insurance claims related to a state of emergency.

SIGNIFICANT CLAIMS AND COVERAGE RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Time Limit to Collect Full Replacement Cost	2051.5 (b)(1) and (2)	An insured will have no less than 12 months (from the date that the first payment toward the actual cash value is made) to collect the full replacement cost of the loss, subject to the policy limit. In the event of a loss relating to a “state of emergency,” as defined in Government Code Section 8558, an insured will have no less than 36 months (from the date that the first payment toward the actual cash value is made) in order to collect the full replacement cost of the loss, subject to the policy limit. Additional extensions of six months shall be provided to policyholders for good cause.
Rebuilding in Current Location or Rebuilding or Replacing in a New Location	2051.5 (c)(1)	In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location.
Land Value Deduction	2051.5 (c)(2)	For a residential property insurance policy, the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location shall be the amount that would have been recoverable had the insured dwelling been rebuilt at its original location, and a deduction for the value of land at the new location shall not be permitted from that measure of damages. However, the measure of indemnity shall not exceed the cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to rebuild the insured structure at its original location.

SIGNIFICANT CLAIMS AND COVERAGE RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
List of Items Covered - Additional Living Expenses (ALE)	§2060 (a)	If requested by the insured, CIC section 2060(a) requires insurance companies to provide the insured with a list of items that an insurer believes would be covered under the policy.
Time Limit to Collect Additional Living Expenses (ALE)	2060 (b)(1)	In the event of a covered loss relating to a state of emergency, as defined in Government Code Section 8558, on and after July 1, 2021, coverage for additional living expenses (or loss of use) shall be for at least 24 months from the inception of the loss, but shall be subject to other policy provisions. An insurer shall grant an extension of up to 12 additional months, for a total of 36 months, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work. Additional extensions of six months shall be provided to policyholders for good cause.
Uninhabitable/Reasonable Habitation (ALE)	2060 (b)(2)	If the insured home is rendered uninhabitable by a covered peril, on and after July 1, 2021, a policy that provides coverage for additional living expenses shall not limit the policyholder's right to recovery. However, an insurer may, in lieu of making living expense payments required by this subdivision, provide a reasonable alternative remedy that addresses the property condition that precludes reasonable habitation of the insured premises. The additional living expense coverage subject to this section does not include a utility public safety power shut off event, which is the deenergization of a portion of the electrical distribution or transmission system to reduce the risk of wildfire ignition.

SIGNIFICANT CLAIMS AND COVERAGE RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Restricted Access by Civil Authority (ALE)	2060 (c)	<p>In the event of a state of emergency, as defined in Government Code Section 8558, for a loss that is otherwise not subject to CIC section 2060 (b)(1) and (2) above, that is accompanied by an order of civil authority restricting access to the home, related to a covered peril, on and after July 1, 2021, additional living expense coverage shall be provided for at least two weeks. Additional extensions of two weeks shall be provided to a policyholder for good cause, but shall be subject to other policy provisions.</p>
Advance Payment and Itemization of Contents (ALE)	2061(a)	<p>In the event of a covered loss relating to a state of emergency, as defined in Government Code Section 8558, the following special provisions shall apply under a residential property insurance policy:</p> <p>(1) If an insured has made a claim for additional living expenses related to a total loss, an insurer shall, upon request by an insured, render an advance payment of no less than four months of living expenses. Additional payment for additional living expenses shall be payable upon proper proof following the advance period.</p> <p>(2) If an insured has made a claim for contents related to a total loss of a primary residence, an insurer shall not require that the insured use a company-specific inventory form if the insured can provide an inventory using a form that contains substantially the same information. This subdivision does not limit the authority of an insurer to seek additional reasonable information from an insured upon receipt of an inventory form submitted by an insured.</p> <p>(3) If an insured has made a claim for contents related to a total loss of a primary residence, an insurer shall accept an inventory that includes groupings of categories of personal property, including clothing, shoes, books, food items, CDs, DVDs, or other categories of items for which it would be impractical to separately list each individual item claimed.</p>

SIGNIFICANT CLAIMS AND COVERAGE RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Changing Claims Adjusters	2071 and 14047	<p>If, within a six-month period, an insurer assigns a third or subsequent adjuster to be primarily responsible for a claim, the insurer shall provide the insured with a written status report. The written status report must include a summary of any decisions or actions that are substantially related to the disposition of a claim, including, but not limited to, the amount of losses to structures or contents, the retention or consultation of design or construction professionals, the amount of coverage for losses to structures or contents and all items of dispute.</p> <p>Note: In addition to the above, CIC section 14047 requires that for a claim arising from a state of emergency, if, within a six-month period, an insurer assigns a third or subsequent first-party real or personal property claims adjuster, the insurer shall establish a primary point of contact for the insured and provide the insured one or more direct means of communication with the primary point of contact.</p>
Appraisal	2071	In the event of a government-declared disaster, as defined in the Government Code, appraisal may be requested by either the insured or the insurance company but shall not be compelled.
Suits	2071	No suit or action on a policy including this term for the recovery of any claim shall be sustainable in any court of law or equity unless all the requirements of the policy shall have been complied with, and unless commenced within 12 months next after inception of the loss. If the loss is related to a state of emergency, the time limit to bring suit is extended to 24 months after inception of the loss.
Copy of Complete Policy After a Loss	2084	After a covered loss under a policy covered by Section 2071, an insurer shall provide to the insured, free of charge, a complete, current copy of his or her policy within 30 calendar days of receipt of a request from the insured. The policy must include the full insurance policy, any endorsements, and the declarations page.

SIGNIFICANT CLAIMS AND COVERAGE RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Ability to Combine Coverages	10103.7(a)	In the event of a claim relating to a state of emergency, an insured under a residential property insurance policy shall be permitted to combine payments for claims for losses up to the policy limits for the primary dwelling and other structures, for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the policy limits for coverage to rebuild or replace the primary dwelling are insufficient.

SIGNIFICANT UNDERWRITING RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Adjustment of Policy Limits on Renewal	675.1(a)(1)	If reconstruction of the primary insured structure has not been completed by the time of policy renewal, the insurer, prior to or at the time of renewal, and after consultation by the insurer or its representative with the insured as to what limits and coverages might or might not be needed, shall adjust the limits and coverages, write an additional policy, or attach an endorsement to the policy that reflects the change, if any, in the insured's exposure to loss. The insurer shall adjust the premium charged to reflect any change in coverage.
Cancellation after Total Loss to Primary Structure	675.1(a)(2)	The insurer shall not cancel coverage while the primary insured structure is being rebuilt, except for the reasons specified in subdivisions (a) to (e), inclusive, of Section 676. The insurer shall not use the fact that the primary insured structure is in damaged condition as a result of the total loss as the sole basis for a decision to cancel the policy pursuant to subdivision (e) of that section.

SIGNIFICANT UNDERWRITING RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Non-Renewal After a Declared Disaster	675.1(a)(3)	The insurer shall offer to, for at least the next two annual renewal periods, but no less than 24 months of coverage from the date of the loss, renew the policy in accordance with Section 675.1(a)(1) if the total loss to the primary insured structure was caused by a disaster, as defined in subdivision (b) of Section 1689.14 of the Civil Code, the loss was not also due to the negligence of the insured, and losses have not occurred subsequent to the disaster-related total loss that relate to physical or risk changes to the insured property that result in the property becoming uninsurable.
Non-Renewal or Cancellation within Fire Perimeter	675.1(b)(1)	An insurer shall not cancel or refuse to renew a policy of residential property insurance for a property located in any ZIP Code within or adjacent to the fire perimeter, for one year after the declaration of a state of emergency, based solely on the fact that the insured structure is located in an area in which a wildfire has occurred. This prohibition applies to all policies of residential property insurance in effect at the time of the declared state of emergency.
Reduction of Limits or Elimination of Coverage	678 (a) and (c)	<p>An insurer shall deliver to the insured either (1) an offer of renewal of the policy 45 days before the policy expiration contingent upon payment of premium as stated in the offer, and which states any reduction of limits or elimination of coverage or (2) a notice of nonrenewal 75 days prior to the expiration that states the reason or reasons for the nonrenewal.</p> <p>For the offer of renewal, the insurer shall identify any reduction of limits or elimination of coverage. The elimination of coverage for the previously covered peril of fire shall be subject to subdivision (b) of Section 10103.6.</p>

SIGNIFICANT UNDERWRITING RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Reduction of Limits or Elimination of Coverage ~ Continued ~	678 (a) and (c)	If an insurer fails to give the named insured a notice of nonrenewal at least 75 days before the policy expiration, the existing policy, with no change in its terms and conditions, shall remain in effect for 75 days from the date that the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the notice of nonrenewal.
Notice of Nonrenewal for Residential Property Policy	678 (e)	Insurers shall accompany a notice of nonrenewal for a residential property insurance policy expiring on or after July 1, 2021, with a notice substantially similar to the notice stated in this section. The notice in this section refers insureds to CDI's California Home Insurance Finder and the California FAIR Plan to assist the insured to locate an agent, broker, or insurance company by zip code and the languages in which the agent, broker, insurance company sells insurance.
Grace Period for Payments	2062	In the event of a state of emergency, as defined in Government Code Section 8558, an insurer shall offer a 60-day grace period for payment of premiums for residential property insurance policies covering a property located within the affected area defined in the state of emergency for a period of 60 days after the emergency. This does not require any change to insurer billing practices regarding billing, automatic payment, or cancellation for nonpayment if the insurer reinstates, without a lapse in coverage or late fees, any policy subject to this section that was canceled for nonpayment of premiums, if requested by the insured and upon reasonably timely payment of all premiums due.

SIGNIFICANT UNDERWRITING RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
Policy Coverage – Peril of Fire	10103.6	<p>If an insurer issues a new residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall, on or before the date of issuance of the policy, obtain a signed acknowledgment from the applicant or insured stating that the newly issued policy does not provide coverage for the peril of fire. If the applicant or insured does not sign the required acknowledgment on or before the issuance of the policy, the insurer shall obtain the signed acknowledgment from the applicant or insured within 60 days of the date of issuance of the policy. For purposes of this subdivision, a new or newly issued policy does not include renewal of an existing policy, including a renewal that contains different terms than the preceding policy periods.</p> <p>If an insurer issues or renews a residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall prominently disclose both of the following on the declarations page of the policy:</p> <p>(1) The following statement in bold, uppercase letters in no less than 12-point type:</p> <p style="text-align: center;">THIS POLICY DOES NOT COVER THE PERIL OF FIRE. THERE ARE OTHER RESOURCES FOR FINDING FIRE COVERAGE, INCLUDING USING THE CALIFORNIA DEPARTMENT OF INSURANCE’S HOME INSURANCE FINDER OR PURCHASING COVERAGE FROM THE CALIFORNIA FAIR PLAN ASSOCIATION.</p> <p>(2) Information on the California FAIR Plan, as required by subdivision (h) of Section 10095, and information on the California Home Insurance Finder, as required by subdivision (b) of Section 10095.7.</p>

SIGNIFICANT UNDERWRITING RELATED LAWS

ISSUE	INSURANCE CODE SECTION	SUMMARY
<p>Payment of Contents Without Inventory</p>	<p>10103.7(b)</p>	<p>In the event of a covered total loss of a primary dwelling under a residential property insurance policy resulting from a state of emergency, if the residence was furnished at the time of the loss, (1) the insurer shall offer a payment under the contents (personal property) coverage in an amount no less than 30 percent of the policy limit applicable to the covered dwelling structure, up to a maximum of two hundred fifty thousand dollars (\$250,000), without requiring the insured to file an itemized claim.</p> <p>(2) After receiving the payment described in paragraph (1), the insured may recover additional amounts up to the policy limit for contents coverage by filing a claim pursuant to the terms of the policy for the loss of contents that exceeds the value of the payment provided pursuant to paragraph (1).</p> <p>(3) When an insured files a claim relating to a state of emergency, as defined in Government Code Section 8558, the insurer shall notify the insured of the option to receive payment for loss of contents pursuant to paragraph (1) and of the insured's option to subsequently file a full itemized claim pursuant to paragraph (2).</p> <p>(4) This subdivision does not affect payment under the policy for scheduled personal property.</p> <p>(5) This section does not prohibit an insurer from restricting payment in cases of suspected fraud.</p>

Note: The above laws are the most significant laws pertaining to property insurance policies, including those related to a declared state of emergency. In addition, all insurers and claims adjusters, whether California-licensed or not, must be properly trained on the California Unfair Insurance Practices Act (Cal. Ins. Code Sections 790 - 790.15), Fair Claims Settlement Practices Regulations (Title 10, California Code of Regulations, Sections 2695.1 – 2695.12), Insurance Mediation laws (Cal. Ins. Code Sections 10089.70 – 10089.83) and all other laws relating to property and casualty insurance claims handling, coverage, and eligibility.

Disclaimer: The above laws are significant laws effective as of the date of this notice. Some of the above laws may not pertain to prior disaster claims.