

[Insurance Claim Rules in California \(2020\)](#)

NOTE: This publication was created specifically for those affected by the 2020 California Wildfires. Some laws have since changed. There is an updated version of this publication in the [California State by State Help Page](#).

Your insurance company, and its employees, are required to follow California law when handling your property damage claim.

Some laws are triggered after a disaster by a declared state of emergency; they change how and when claims must be paid. Adjusters, especially those who come from out of state after a disaster, don't always know or follow the rules, so it's often up to you to understand and enforce them for yourself or your client. Use our claim guidance and sample letters to help you navigate this process.

Voluntary Claim Handling Practices

Following the wildfires in recent years, the Insurance Commissioner has issued a notice calling on all property insurance companies to implement claim procedures to help residents and businesses recover more quickly. The following is a set of rules instructing them how they SHOULD act after a declared state of emergency. While your insurance carrier may not be bound by all of these rules, asserting them may give you leverage to help you better resolve your claim. [1] You can view the recent CDI Bulletin for the [August 2020 Lightning Complex Wildfires](#) This bulletin gives you leverage to ask for the following.

Cash advances

Additional Living Expenses – Your insurance company *should* give you cash advances while working with

you on calculating your losses and benefits. If your insurer agreed to abide by a set of “Voluntary Claims Handling Reforms” created by the California Department of Insurance, they should give you a **4-month advance** on your Additional Living Expense (“ALE”) or Loss of Use benefits.

Personal Property (Contents) -Insurance companies *should* provide a standard of **at least 25% of your Personal Property/Contents** limits as an advance payment. Insurance companies have also been asked to provide 75%, and up to 100%, of personal property limits, after a disaster, without requiring an itemized list.^[2] Even if your insurance company didn’t sign on to this agreed set of reforms, they may abide by them if you ask them to.

Personal Property Inventory

Insurance companies *should* agree to accept home inventory software (or paper alternatives) rather than requiring a company-specific inventory form. Moreover, they should also agree to accept reduced itemization, or “bulking” of items (i.e. “15 books” instead of listing all titles).

Debris Removal

Insurance companies *should* agree to cooperate with a consolidated debris removal in the wake of a state of emergency where a consolidated effort would provide a more rapid debris removal.

Claim Handling and Time Frames

Your insurance company must disclose all benefits, coverage, time limits or other provisions of any insurance policy that may apply to the claim presented. When additional benefits might reasonably be payable under an insured’s policy upon receipt of additional proofs of claim, the insurer must immediately communicate this fact to the you and cooperate with and assist you in determining the extent of their liability.

Below are additional timeframes and claim handling practices to be aware of.

Processing your claim

15 days - Your insurance company must acknowledge that they have received your claim within 15 days after you give them notice. They must provide you with the forms you're required to complete and explain how you're supposed to complete them.

Investigating your claim

15 days - Your insurance company must begin any necessary investigation within 15 days of receiving your claim.

Every insurer shall conduct and diligently pursue a thorough, fair and objective investigation and shall not persist in seeking information not reasonably required for or material to the resolution of a claim dispute.

Communicating information to you

15 days - Your insurance company must answer your questions and reply to your communications, including phone calls, emails, and letters within 15 days.

15 days - Upon request, your insurance company must produce a copy of your claim-related documents within 15 days.

30 days - Upon request, your insurance company must provide you with a complete copy of your policy within 30 days.

75 days - California currently requires 75-day notice of an insurer's intent to non-renew a policy.

6 months - If, within a 6-month period, your insurance company assigns a third (or subsequent) adjuster to your handle your claim, the insurance company must provide you with a written status report. This report must include a summary of losses and payments made, the amount of coverage, and whether they have hired any professionals to assist with the claim. [Cal Ins. Code 2071]. If the claim arises from a state of emergency and you are assigned a third or subsequent claims adjuster, the insurer shall provide the insured a primary point of contact and a direct means of communication. [Cal Ins. Code 14047]

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Paying or denying your claim

30 days - *If the insurance company accepts your claim, they must pay the undisputed portion of the claim immediately but not later than 30-days.*

40 days - The insurance company must accept or reject your claim in whole or in part within 40 days of receiving proof of claim. If they reject your claim, they must list all factual and legal bases for doing so with explanation of any applicable statute or other law.

Preserving your rights

60 days - Your insurance company must provide written notice to you within 60 days of deadlines that cut off your rights to collect additional benefits or file a lawsuit. The notice must clearly state the time limit and how it will impact your rights. Look for language that says, "Suit Against Us" or similar language, as this may start the clock ticking.

Fair Depreciation

Almost every policy allows an insurance company to depreciate your property to reflect the condition it was in at the time of the loss. They must consider both age and condition of the property. [Cal. Ins. Code 2051(b)]. You generally have the right to collect the difference between that depreciated amount and

what it costs you to replace the property, depending on the policy language. You have the right to know how your insurance company calculated depreciation and how they calculated their settlement offer. [Cal Ins Code 2071; CCR 2695.9]. There is no “official” depreciation schedule, insurance companies vary on these calculations, so you should advocate for fair valuation of your property.

Actual Cash Value (ACV)

ACV can be measured in many ways. Two of the most common methods to determine actual cash are (1) fair market value, and (2) replacement cost minus depreciation. Effective January 1, 2020, ACV must be calculated as “the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of injury.” This definition applies to both **total** and **partial** losses. [Cal. Ins. Code 2051].

Important Rules for a loss relating to a “state of emergency”

Collecting Full Replacement Cost

For claims relating to a state declared emergency, you have *at least* **36 months** from the date that the first payment toward actual cash value is made to collect your full replacement cost. [Cal. Ins. Code 2051.5(b)(1)]. Additional extensions of six months should be provided to policyholders for good cause. CA law also allows you to use your full replacement benefits, including any building code upgrade costs and any extended replacement cost coverage you may have, to

- rebuild your home at the current location,
- rebuild at a new location, or
- purchase an already built home at a new location.^[3] [Cal Ins. Code 2051.5(c)].

Additional Living Expenses

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For claims relating to a state declared emergency, insurers must offer Additional Living Expenses (ALE) for a period of at least 24 months. 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. [Cal Ins. Code 2051.5(b)(2)]. This coverage stops when you rebuild or relocate permanently. Additional extensions of 6 months must be granted for good cause.

Your insurer must give you, upon request, a list of items normally classified as reimbursable ALE expenses. [Cal Ins. Code 2060]. Typically, ALE is paid via an advance off of future payment to get you situated after the shock of the loss, then on an “as incurred” basis as you submit receipts and document expenses.

Complaints, Attorneys & Litigation

For claims relating to a state declared emergency, the time limit to bring suit is **24 months** from the date your claim is paid (or denied). [Cal Ins. Code 2071].

Your insurance company cannot:

- retaliate against you for making complaint to the California Department of Insurance,
- withhold payments until the complaint is withdrawn,
- threaten or intimidate you to keep you from making a complaint, [CCR 2695.7]
- unreasonably deny a claim, which in turn forces you to have to sue to recover benefits owed [Cal Ins Code 790.03], or directly advise you against obtaining the services of an attorney.

Non-Renewal/Cancellation

For total loss claims caused by a disaster, the insurer shall offer to renew coverage for the next two annual renewal periods. The insurer also cannot cancel coverage while a structure that suffered a total loss from a disaster is being rebuilt.

For claims relating to a state declared emergency, insurers also cannot cancel or refuse to renew a policy of residential property insurance for a property located in a ZIP code within or adjacent to the fire perimeter for one year. The ZIP codes impacted are published in a bulletin by the Insurance Commissioner.

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[1] See [http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-coCA DOI Notice-ExpeditedClaims-BillingGracePeriodmmiss-opinion/upload/Notice-Expedited-Claims-Procedures-112019.pdf](http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-coCA%20Notice-ExpeditedClaims-BillingGracePeriodmmiss-opinion/upload/Notice-Expedited-Claims-Procedures-112019.pdf)

[2] See [http://www.insurance.ca.gov/01-consumers/140-catastrophes/upload/Scanned-Image_November2018Fire sNotice.pdf](http://www.insurance.ca.gov/01-consumers/140-catastrophes/upload/Scanned-Image_November2018Fire%20Notice.pdf)

[3] See: [United Policyholders – Buy or Rebuild?](#) and [Legal Opinion of General Counsel for the California Department of Insurance, Adam Code, April 3, 2008](#)