

[Insurance Claim Rules in California \(2023\)](#)

Your insurance company, its employees and independent adjusters, are required to follow California laws, regulations, and Department of Insurance directives when handling your property damage claim. **Some of these are triggered by whether or not a Presidential or Governor-declared State of Emergency has been declared.** Insurance claim adjusters, especially those who come from out of state after a disaster, don't always know or follow applicable laws and regulations, so it's often up to you to understand and enforce them for yourself.

Claim Handling Practices in the Event of a Government-Declared Disaster

The following is a set of rules that outlines how insurance companies **MUST** act after a declared State of Emergency in California. Re-stating these rules in your communications with insurance company employees gives you leverage to get them to pay your claim fairly, promptly and fully.

Loss of Use/Additional/Temporary Living Expenses (ALE) – If you have suffered a total loss relating to a declared state of emergency, your insurance company **must** give you a cash advance of **no less than four months** of your ALE benefits while working with you on calculating your full losses and benefits owed. This advance should help you get situated after the shock of the loss. After that required advance, most insurers will require you to submit receipts and document your ALE expenses in order to collect the rest of your benefits earmarked for temporary living costs. ([CA Ins. Code 2061 (a)(1)]. If you ask your insurer to give you a list of items normally classified as reimbursable ALE expenses, they are legally required to provide that list to you [Cal Ins Code 2060].

Restricted Access by Civil Authority (ALE) – In the event of a state of emergency related to a covered peril that, by an order of civil authority, restricts access to the insured property ALE coverage shall be provided for at least two weeks. Additional extensions shall be provided for good cause but are subject to other policy provisions. ([CA Ins. Code 2060(c)]

Debris Removal – Insurance companies *should* agree to cooperate and make your debris removal

benefits available if you decide to participate in a program through which your and your neighbor's debris gets removed through a coordinated effort.

Buying or Rebuilding – In the event of a total loss (disaster or non-disaster) CA law [Cal Ins. Code 2051.5 (c)] allows you to use your full replacement benefits, *including any building code upgrade costs and 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.

Land Value Deduction – In the event of a total loss to your property, the amount owed to you by the insurer is the cost to rebuild your home at its original location, including building code upgrade coverage and extended replacement cost coverage. Your insurer ***is not allowed to take a deduction*** for the value of land under the replacement home you purchase. [Cal Ins. Code 2051.5 (c)(2)]

Combining Coverages – If your home is destroyed due to a declared emergency, and the amount of your Dwelling limits is too low to cover the cost of replacing the home, you can combine your insurance benefits for the “Dwelling” and “Other Structures” categories and apply both categories toward the cost of replacing your home. [CA Ins. Code 10103.7(a)] Some people also use a portion of their contents coverage toward the cost of replacing their home.

Personal Property (Contents) – In the event of a covered total loss resulting from a declared state of emergency, your insurance company ***must*** offer payment of no less than **30%** of your policy limit for your Dwelling, as long as your home was furnished at the time of loss. [CA Ins. Code 10103.7] This special rule is designed to help get as much cash as possible into your hands as quickly as possible.

Personal Property Inventory

If you are making a claim for contents related to a total loss of your primary residence, your insurer ***shall not*** require you to use a company-specific inventory form. They ***must*** agree to accept any home inventory that you provide, if that form contains substantially the same information. Moreover, they ***must*** also agree to accept reduced itemization, or “bulking” of items (i.e., “15 books” instead of listing all titles). [CA Ins. Code 2061(a)(2)(3)]

Claim Handling and Time Frames

Your insurance company must disclose all benefits, coverages, 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 you and cooperate with and assist you in determining the extent of their liability. [10 CCR 2695.7(a)]

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 provide you with reasonable assistance. [10 CCR 2695.5(e)]

Investigating your claim

15 days - Your insurance company must begin any necessary investigation within 15 days of receiving your claim. [10 CCR 2695.5(e)]

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. [10 CCR 2695.7(d)]

Communicating information to you

15 days - Your insurance company must answer your questions and reply to your communications, including phone calls, emails, and letters, *immediately* but in no event more than 15 calendar days. [10 CCR 2695.5(b)]

15 days - Upon request, your insurance company must produce a copy of your claim-related documents within 15 days. [Cal Ins. Code 2071]

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

within 30 days. [Cal Ins. Code 2071; 2084]

75 days – California currently requires 75-day notice of an insurer’s intent to non-renew a policy. [Cal Ins. Code 678 (c)(1)]

6 months – If, within a 6-month period, your insurance company assigns a third (or subsequent) adjuster to 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]

Paying or denying your claim

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. [10 CCR 2695.7(b)]

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. [10 CCR 2695.7(h)]

30 days– If an insurer needs more than 40 days to make a decision, they must communicate to you in writing their need for more time. In addition, they must explain what they need to make their decision, and provide an estimated time frame. [10 CCR 2695.7(c)(1)]

Preserving your rights

60 days – Your insurance company must provide written notice to you within 60 days of deadlines that cut off your right 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. [10 CCR 2695.7(f)]

Fair Depreciation

Almost every policy allows an insurance company to depreciate your property to reflect its value at the time of the loss. They must consider both the age and condition of the property. [Cal Ins. Code 2051 (b)]; [10 CCR 2695.9] 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 also have the right to know how your insurance company calculated depreciation and how they calculated their settlement offer. [Cal Ins. Code 2071]; [10 CCR 2695.9] There are no “official” depreciation schedules, insurance companies vary on these calculations, so you should advocate for fair valuation of your property.

Actual Cash Value (ACV)

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.” A deduction for depreciation can only be applied to things that normally “wear out” and cannot be applied to labor. This definition applies to both **total** and **partial** losses. [Cal Ins. Code 2051]

SPECIAL TIME LIMITS for losses relating to a “State of Emergency”

Collecting Full Replacement Cost

For claims relating to a state declared emergency, you have *no less than* **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)] Additional extensions of six months *shall* be provided to policyholders for good cause.

Additional Living Expense Coverage

For claims relating to a declared state of emergency, you have *no less than* 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 you are acting in good faith and with reasonable diligence encounter delays in the reconstruction process beyond your control. Additional extensions of six months *shall* be provided to policyholders for good cause. [Cal Ins. Code 2060(b)(1)]

Time Limit to File a Lawsuit

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]

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. [Cal Ins. Code 675.1(a)]

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. [Cal Ins. Code 675.1(b)]