



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

May 28, 2019

TO: All Residential Property Insurance Companies and Other Interested Parties

FROM: Insurance Commissioner Ricardo Lara

SUBJECT: Allowance for 36 Months of Additional Living Expenses Coverage after the 2017 Wildfires Due to Delay in the Rebuilding Process Beyond the Control of Policyholders

In 2017 and 2018, California experienced several devastating wildfires, destroying thousands of homes and businesses, causing multiple fatalities, and leaving thousands homeless. Due to circumstances beyond the control of the affected survivors of these catastrophic wildfires, because of the extensive widespread damage resulting from these wildfires, it is taking longer than anticipated to repair and rebuild the destroyed homes. For example, currently there is a severe shortage of building contractors and building supplies, and debris removal has taken several months longer than anticipated.

For several years up to 2017 when these devastating wildfires occurred, California Insurance Code section 2051.5(b) (2) provided that, in the event of a declared state of emergency, coverage for additional living expenses (ALE) was required to be at least 24 months. The lengthy rebuild process has, however, resulted in 2017 wildfire survivors raising concerns to the California Department of insurance (CDI) that the time frame to recover full policy benefits for the 2017 wildfires has not been sufficient to rebuild the homes destroyed in the fires.

In the aftermath of the 2017 wildfires, the CDI and the California State Legislature recognized that, in these large scale natural disasters, 24 months does not provide sufficient time to remove debris, obtain all necessary building permits, locate and hire a contractor and multiple subcontractors, and completely rebuild these destroyed homes.

As a result, CDI, the California State Legislature, and the Governor, with the passage of Senate Bill 894 (Dodd and McGuire, Chapter 618, Statutes of 2018), Assembly Bill 1772 (Aguar-Curry and Wood, Chapter 627, Statutes of 2018), and Assembly Bill 1800 (Levine, Chapter 628, Statutes of 2018), increased the 24 month mandatory ALE coverage period to a minimum of 36 months if a policyholder acting in good faith and with reasonable diligence encounters delays in the reconstruction process of their home

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that are the result of circumstances beyond their control. 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, among others. Additional ALE coverage period extensions of six months must be provided by the insurance company to affected policyholders for good cause.

However, the amendments to existing law became effective on September 21, 2018, applying only to claims that arose on and after that date. Accordingly, these changes to the law do not apply to the 2017 wildfires. Additionally, the minimum 24-month period of ALE coverage for the 2017 wildfires will expire around October 2019 even though many policyholders who suffered total losses are still experiencing significant delay today in the reconstruction process of their home due to circumstances beyond their control.

I have heard from many wildfire survivors who are greatly concerned with this looming deadline and overwhelmed by the prospect of not having ALE coverage as they work to rebuild their destroyed homes in areas devastated by wildfires in 2017. Because the current conditions in the affected 2017 fire areas are largely beyond the control of many of these policyholders, I am requesting residential property insurance companies to consider this unique situation and the emotional and financial distress of their policyholders by voluntarily agreeing to extend their ALE coverage period to no less than 36 months for those policyholders who suffered a total loss in the 2017 wildfires.

Given the extraordinary nature of these wildfires in 2017, I believe granting this additional ALE time for these policyholders will go a long way to greatly helping these wildfire survivors rebuild their homes and lives.

If an insurer has questions regarding this Notice, please contact:

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