

AMENDED IN ASSEMBLY AUGUST 24, 2018

AMENDED IN ASSEMBLY JULY 5, 2018

AMENDED IN ASSEMBLY JUNE 14, 2018

AMENDED IN SENATE MAY 23, 2018

AMENDED IN SENATE MAY 2, 2018

AMENDED IN SENATE MARCH 8, 2018

AMENDED IN SENATE FEBRUARY 26, 2018

**SENATE BILL**

**No. 894**

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**Introduced by Senators Dodd and McGuire**  
(Coauthor: Assembly Member Levine)

January 12, 2018

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An act to amend Sections 675.1 and 2051.5 of, and to add Section 10103.7 to, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 894, as amended, Dodd. Property insurance.

Existing law requires an insurer, in the case of a total loss to the primary insured structure under a policy of residential property insurance, to offer to renew the policy at least once if the loss to the primary insured structure was caused by a disaster, as defined, and was not also due to the negligence of the insured, except as specified.

This bill would instead, under specified circumstances, require the insurer to offer to renew the policy for at least the next 2 annual renewal periods or 24 months, whichever is greater.

Existing law defines the measure of indemnity for a loss under a property insurance policy and specifies time limits under which an

insured must collect the full replacement cost of the loss. Existing law prohibits a property insurance policy issued or delivered in the state from limiting or denying payment of the replacement cost of property in the event the insured decides to rebuild or replace the property at a location other than the insured premises. Existing law provides that coverage for additional living expenses incurred due to a covered loss relating to a state of emergency shall be for a period of 24 months.

This bill would require an insurer, for a policy that imposes a dollar limit on the amount of coverage provided for additional living expenses, to grant an extension of that coverage for 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, as specified.

This bill would require an insurer to allow an insured that has suffered a loss relating to a declared state of emergency to combine the policy limits for primary dwelling and other structures, and to use the combined amount, as specified.

~~This bill would require, for losses of a furnished residence related to a declared state of emergency, that the insurer provide an advance partial payment for contents, as specified, without requiring an itemized claim.~~

The bill would make other technical, nonsubstantive changes.

*This bill would incorporate additional changes to Section 675.1 of the Insurance Code proposed by SB 824 to be operative only if this bill and SB 824 are enacted and this bill is enacted last. The bill would also incorporate additional changes to Section 2051.5 of the Insurance Code proposed by AB 1772 and AB 1800 to be operative only if this bill, AB 1772, and AB 1800 are enacted and this bill is enacted last.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 675.1 of the Insurance Code is amended
- 2 to read:
- 3 675.1. In the case of a total loss to the primary insured structure
- 4 under a residential policy subject to Section 675, the following
- 5 provisions apply:
- 6 (a) If reconstruction of the primary insured structure has not
- 7 been completed by the time of policy renewal, the insurer, prior

1 to or at the time of renewal, and after consultation by the insurer  
2 or its representative with the insured as to what limits and  
3 coverages might or might not be needed, shall adjust the limits  
4 and coverages, write an additional policy, or attach an endorsement  
5 to the policy that reflects the change, if any, in the insured's  
6 exposure to loss. The insurer shall adjust the premium charged to  
7 reflect any change in coverage.

8 (b) The insurer shall not cancel coverage while the primary  
9 insured structure is being rebuilt, except for the reasons specified  
10 in subdivisions (a) to (e), inclusive, of Section 676. The insurer  
11 shall not use the fact that the primary insured structure is in  
12 damaged condition as a result of the total loss as the sole basis for  
13 a decision to cancel the policy pursuant to subdivision (e) of that  
14 section.

15 (c) Except for the reasons specified in subdivisions (a) to (e),  
16 inclusive, of Section 676, the insurer shall offer, for at least the  
17 next two annual renewal periods, but no less than 24 months of  
18 coverage from the date of the loss, to renew the policy in  
19 accordance with subdivision (a) if the total loss to the primary  
20 insured structure was caused by a disaster, as defined in subdivision  
21 (b) of Section 1689.14 of the Civil Code, the loss was not also due  
22 to the negligence of the insured, and losses have not occurred  
23 subsequent to the ~~disaster-related~~ *disaster-related* total loss that  
24 relate to physical or risk changes to the insured property that result  
25 in the property becoming uninsurable.

26 (d) With respect to policies of residential earthquake insurance,  
27 the California Earthquake Authority, or any insurer, including a  
28 participating insurer, as defined in subdivision (i) of Section  
29 10089.5, may defer its initial implementation of this section until  
30 no later than October 1, 2005.

31 (e) With respect to a residential earthquake insurance policy  
32 issued by the California Earthquake Authority, the following  
33 provisions apply:

34 (1) The participating insurer that issued the underlying policy  
35 of residential property insurance on the primary insured structure  
36 shall consult with the insured as to what limits and coverages might  
37 or might not be needed as required by subdivision (a).

38 (2) The California Earthquake Authority, in lieu of meeting the  
39 requirements of subdivision (a), shall establish procedures and  
40 practices that allow it to reasonably accommodate the needs and

1 interests of consumers in maintaining appropriate earthquake  
2 insurance coverage, within the statutory and regulatory limitations  
3 on the types of insurance coverages and the coverage limits of the  
4 policies that the authority may issue.

5 *SEC. 1.5. Section 675.1 of the Insurance Code is amended to*  
6 *read:*

7 675.1. (a) In the case of a total loss to the primary insured  
8 structure under a ~~residential~~ *policy of residential property*  
9 *insurance* subject to Section 675, the following provisions apply:

10 (a)

11 (1) If reconstruction of the primary insured structure has not  
12 been completed by the time of policy renewal, the insurer, prior  
13 to or at the time of renewal, and after consultation by the insurer  
14 or its representative with the insured as to what limits and  
15 coverages might or might not be needed, shall adjust the limits  
16 and coverages, write an additional policy, or attach an endorsement  
17 to the policy that reflects the change, if any, in the insured's  
18 exposure to loss. The insurer shall adjust the premium charged to  
19 reflect any change in coverage.

20 (b)

21 (2) The insurer shall not cancel coverage while the primary  
22 insured structure is being rebuilt, except for the reasons specified  
23 in subdivisions (a) to (e), inclusive, of Section 676. The insurer  
24 shall not use the fact that the primary insured structure is in  
25 damaged condition as a result of the total loss as the sole basis for  
26 a decision to cancel the policy pursuant to subdivision (e) of that  
27 section.

28 (c)

29 (3) Except for the reasons specified in subdivisions (a) to (e),  
30 inclusive, of Section 676, the insurer shall ~~offer to, at least once,~~  
31 *offer, for at least the next two annual renewal periods, but no less*  
32 *than 24 months of coverage from the date of the loss, to renew the*  
33 *policy in accordance with the provisions of subdivision (a)*  
34 *paragraph (1) if the total loss to the primary insured structure was*  
35 *caused by a disaster, as defined in subdivision (b) of Section*  
36 *1689.14 of the Civil Code, and the loss was not also due to the*  
37 *negligence of the insured; insured, and losses have not occurred*  
38 *subsequent to the disaster-related total loss that relate to physical*  
39 *or risk changes to the insured property that result in the property*  
40 *becoming uninsurable.*

1     ~~(d)~~  
2     (4) With respect to policies of residential earthquake insurance,  
3 the California Earthquake Authority, or any insurer, including a  
4 participating insurer, as defined in subdivision (i) of Section  
5 10089.5, may defer its initial implementation of this section until  
6 no later than October 1, 2005.

7     ~~(e)~~  
8     (5) With respect to a residential earthquake insurance policy  
9 issued by the California Earthquake Authority, the following  
10 provisions apply:

11     ~~(1)~~  
12     (A) The participating insurer that issued the underlying policy  
13 of residential property insurance on the primary insured structure  
14 shall consult with the insured as to what limits and coverages might  
15 or might not be needed as required by ~~subdivision (a)~~. *paragraph*  
16 *(1)*.

17     ~~(2)~~  
18     (B) The California Earthquake Authority, in lieu of meeting the  
19 requirements of ~~subdivision (a)~~, *paragraph (1)*, shall establish  
20 procedures and practices that allow it to reasonably accommodate  
21 the needs and interests of consumers in maintaining appropriate  
22 earthquake insurance coverage, within the statutory and regulatory  
23 limitations on the types of insurance coverages and the coverage  
24 limits of the policies that the authority may issue.

25     ***(b) (1) An insurer shall not cancel or refuse to renew a policy***  
26 ***of residential property insurance for a property located in any ZIP***  
27 ***Code within or adjacent to the fire perimeter, for one year after***  
28 ***the declaration of a state of emergency, as defined in Section 8558***  
29 ***of the Government Code, based solely on the fact that the insured***  
30 ***structure is located in an area in which a wildfire has occurred.***  
31 ***This prohibition applies to all policies of residential property***  
32 ***insurance in effect at the time of the declared emergency.***

33     ***(2) For the purposes of this section, the fire perimeter shall be***  
34 ***determined by the Department of Forestry and Fire Protection in***  
35 ***consultation with the Office of Emergency Services. The department***  
36 ***shall provide the commissioner with data describing the fire***  
37 ***perimeter sufficient for the commissioner to determine which ZIP***  
38 ***Codes are within or adjacent to the fire perimeter. The***  
39 ***commissioner shall then issue a bulletin to inform insurers which***  
40 ***ZIP Codes are subject to this subdivision.***

1 (c) Subdivision (b) does not apply in any of the following  
2 circumstances:

3 (1) If willful or grossly negligent acts or omissions by the named  
4 insured, or his or her representatives, are discovered that  
5 materially increase any of the risks insured against.

6 (2) If losses unrelated to the postdisaster loss condition of the  
7 property have occurred that would collectively render the risk  
8 ineligible for renewal.

9 (3) If there are physical or risk changes to the insured property  
10 beyond the catastrophe-damaged condition of the structures and  
11 surface landscape that result in the property becoming uninsurable.

12 (d) For the purposes of this section, “policy of residential  
13 property insurance” has the meaning described in subdivision (a)  
14 of Section 10087.

15 SEC. 2. Section 2051.5 of the Insurance Code is amended to  
16 read:

17 2051.5. (a) Under an open policy that requires payment of the  
18 replacement cost for a loss, the measure of indemnity is the amount  
19 that it would cost the insured to repair, rebuild, or replace the thing  
20 lost or injured, without a deduction for physical depreciation, or  
21 the policy limit, whichever is less.

22 If the policy requires the insured to repair, rebuild, or replace  
23 the damaged property in order to collect the full replacement cost,  
24 the insurer shall pay the actual cash value of the damaged property,  
25 as defined in Section 2051, until the damaged property is repaired,  
26 rebuilt, or replaced. Once the property is repaired, rebuilt, or  
27 replaced, the insurer shall pay the difference between the actual  
28 cash value payment made and the full replacement cost reasonably  
29 paid to replace the damaged property, up to the limits stated in the  
30 policy.

31 (b) (1) Except as provided in paragraph (2), no time limit of  
32 less than 12 months from the date that the first payment toward  
33 the actual cash value is made shall be placed upon an insured in  
34 order to collect the full replacement cost of the loss, subject to the  
35 policy limit. Additional extensions of six months shall be provided  
36 to policyholders for good cause. In the event of a loss relating to  
37 a “state of emergency,” as defined in Section 8558 of the  
38 Government Code, no time limit of less than 24 months from the  
39 date that the first payment toward the actual cash value is made  
40 shall be placed upon the insured in order to collect the full

1 replacement cost of the loss, subject to the policy limit. This section  
2 does not prohibit the insurer from allowing the insured additional  
3 time to collect the full replacement cost.

4 (2) In the event of a covered loss relating to a state of  
5 emergency, as defined in Section 8558 of the Government Code,  
6 coverage for additional living expenses shall be for a period of no  
7 less than 24 months from the inception of the loss, but shall be  
8 subject to other policy provisions. An insurer shall grant an  
9 extension of up to 12 additional months, for a total of 36 months,  
10 if an insured acting in good faith and with reasonable diligence  
11 encounters a delay or delays in the reconstruction process that are  
12 the result of circumstances beyond the control of the insured.  
13 Circumstances beyond the control of the insured include, but are  
14 not limited to, unavoidable construction permit delays, lack of  
15 necessary construction materials, and lack of available contractors  
16 to perform the necessary work. Additional extensions of six months  
17 shall be provided to policyholders for good cause.

18 (c) In the event of a total loss of the insured structure, no policy  
19 issued or delivered in this state may contain a provision that limits  
20 or denies payment of the replacement cost in the event the insured  
21 decides to rebuild or replace the property at a location other than  
22 the insured premises. However, the measure of indemnity shall be  
23 based upon the replacement cost of the insured property and shall  
24 not be based upon the cost to repair, rebuild, or replace at a location  
25 other than the insured premises.

26 (d) This section does not prohibit an insurer from restricting  
27 payment in cases of suspected fraud.

28 *SEC. 2.3. Section 2051.5 of the Insurance Code is amended to*  
29 *read:*

30 2051.5. (a) (1) Under an open policy that requires payment  
31 of the replacement cost for a loss, the measure of indemnity is the  
32 amount that it would cost the insured to repair, rebuild, or replace  
33 the thing lost or injured, without a deduction for physical  
34 depreciation, or the policy limit, whichever is less.

35 **If**

36 (2) *If* the policy requires the insured to repair, rebuild, or replace  
37 the damaged property in order to collect the full replacement cost,  
38 the insurer shall pay the actual cash value of the damaged property,  
39 as defined in Section 2051, until the damaged property is repaired,  
40 rebuilt, or replaced. Once the property is repaired, rebuilt, or

1 replaced, the insurer shall pay the difference between the actual  
2 cash value payment made and the full replacement cost reasonably  
3 paid to replace the damaged property, up to the limits stated in the  
4 policy.

5 ~~(b) (1) Except as provided in paragraph (2), no time limit of~~  
6 ~~less than 12 months from the date that the first payment toward~~  
7 ~~the actual cash value is made shall be placed upon an insured in~~  
8 ~~order to collect the full replacement cost of the loss, subject to the~~  
9 ~~policy limit. Additional extensions of six months shall be provided~~  
10 ~~to policyholders for good cause. In~~

11 *(b) (1) (A) (i) A time limit of less than 12 months from the date*  
12 *that the first payment toward the actual cash value is made shall*  
13 *not be placed upon an insured in order to collect the full*  
14 *replacement cost of the loss, subject to the policy limit.*

15 *(ii) In the event of a loss relating to a “state of emergency,” as*  
16 *defined in Section 8558 of the Government Code, ~~no~~ a time limit*  
17 *of less than ~~24~~ 36 months from the date that the first payment*  
18 *toward the actual cash value is made shall not be placed upon the*  
19 *insured in order to collect the full replacement cost of the loss,*  
20 *subject to the policy limit. ~~Nothing in this section shall prohibit~~*  
21 *the insurer from allowing the insured additional time to collect the*  
22 *full replacement cost.*

23 *(iii) This section does not prohibit an insurer from allowing the*  
24 *insured additional time to collect the full replacement cost.*

25 *(B) An insurer shall provide to a policyholder one or more*  
26 *additional extensions of six months for good cause pursuant to*  
27 *clause (i) or (ii) of subparagraph (A) if the insured, acting in good*  
28 *faith and with reasonable diligence, encounters a delay or delays*  
29 *in approval for, or reconstruction of, the home or residence that*  
30 *are beyond the control of the insured. Circumstances beyond the*  
31 *control of the insured include, but are not limited to, unavoidable*  
32 *construction permit delays, the lack of necessary construction*  
33 *materials, or the unavailability of contractors to perform the*  
34 *necessary work.*

35 (2) In the event of a covered loss relating to a state of  
36 emergency, as defined in Section 8558 of the Government Code,  
37 coverage for additional living expenses shall be for a period of 24  
38 months, but shall be subject to other policy provisions, provided  
39 that any extension of time required by this paragraph beyond the  
40 period provided in the policy shall not act to increase the additional



1 ~~living expense policy limit in force at the time of the loss. This~~  
2 ~~paragraph shall become operative on January 1, 2007. shall be for~~  
3 ~~a period of no less than 24 months from the inception of the loss,~~  
4 ~~but shall be subject to other policy provisions. An insurer shall~~  
5 ~~grant an extension of up to 12 additional months, for a total of 36~~  
6 ~~months, if an insured acting in good faith and with reasonable~~  
7 ~~diligence encounters a delay or delays in the reconstruction~~  
8 ~~process that are the result of circumstances beyond the control of~~  
9 ~~the insured. Circumstances beyond the control of the insured~~  
10 ~~include, but are not limited to, unavoidable construction permit~~  
11 ~~delays, lack of necessary construction materials, and lack of~~  
12 ~~available contractors to perform the necessary work. Additional~~  
13 ~~extensions of six months shall be provided to policyholders for~~  
14 ~~good cause.~~

15 (c) In the event of a total loss of the insured structure, ~~no a~~  
16 ~~policy issued or delivered in this state may shall not~~ contain a  
17 provision that limits or denies payment of the replacement cost in  
18 the event the insured decides to rebuild or replace the property at  
19 a location other than the insured premises. However, the measure  
20 of indemnity shall be based upon the replacement cost of the  
21 insured property and shall not be based upon the cost to repair,  
22 rebuild, or replace at a location other than the insured premises.

23 (d) ~~Nothing in this section shall~~ *This section does not* prohibit  
24 an insurer from restricting payment in cases of suspected fraud.

25 (e) ~~The changes made to this section by the act that added this~~  
26 ~~subdivision shall be implemented by an insurer on and after the~~  
27 ~~effective date of that act, except that an insurer shall not be required~~  
28 ~~to modify policy forms to be consistent with those changes until~~  
29 ~~July 1, 2005. On and after July 1, 2005, all policy forms used by~~  
30 ~~an insurer shall reflect those changes.~~

31 (e) (1) *On and after July 1, 2005, and only until July 1, 2019,*  
32 *all policy forms used by an insurer shall be in compliance with*  
33 *this section, except for the changes made to this section by the act*  
34 *that added paragraph (2).*

35 (2) *On and after July 1, 2019, all policy forms issued by an*  
36 *insurer shall be in compliance with this section in its entirety,*  
37 *including the changes made to this section by the act that added*  
38 *this paragraph.*

39 SEC. 2.5. *Section 2051.5 of the Insurance Code is amended to*  
40 *read:*

1 2051.5. (a) (1) Under an open policy that requires payment  
 2 of the replacement cost for a loss, the measure of indemnity is the  
 3 amount that it would cost the insured to repair, rebuild, or replace  
 4 the thing lost or injured, without a deduction for physical  
 5 depreciation, or the policy limit, whichever is less.

6 ~~¶~~  
 7 (2) *If* the policy requires the insured to repair, rebuild, or replace  
 8 the damaged property in order to collect the full replacement cost,  
 9 the insurer shall pay the actual cash value of the damaged property,  
 10 as defined in Section 2051, until the damaged property is repaired,  
 11 rebuilt, or replaced. Once the property is repaired, rebuilt, or  
 12 replaced, the insurer shall pay the difference between the actual  
 13 cash value payment made and the full replacement cost reasonably  
 14 paid to replace the damaged property, up to the limits stated in the  
 15 policy.

16 (b) (1) Except as provided in paragraph (2), ~~no~~ a time limit of  
 17 less than 12 months from the date that the first payment toward  
 18 the actual cash value is made shall *not* be placed upon an insured  
 19 in order to collect the full replacement cost of the loss, subject to  
 20 the policy limit. Additional extensions of six months shall be  
 21 provided to policyholders for good cause. In the event of a loss  
 22 relating to a “state of emergency,” as defined in Section 8558 of  
 23 the Government Code, no time limit of less than 24 months from  
 24 the date that the first payment toward the actual cash value is made  
 25 shall be placed upon the insured in order to collect the full  
 26 replacement cost of the loss, subject to the policy limit. ~~Nothing~~  
 27 ~~in this section shall~~ *This section does not* prohibit the insurer from  
 28 allowing the insured additional time to collect the full replacement  
 29 cost.

30 (2) In the event of a covered loss relating to a state of  
 31 emergency, as defined in Section 8558 of the Government Code,  
 32 coverage for additional living expenses ~~shall be~~ *is* for a period of  
 33 ~~24 months;~~ *no less than 24 months from the inception of the loss,*  
 34 ~~but shall be~~ *is* subject to other policy provisions, ~~provided that any~~  
 35 ~~extension of time required by this paragraph beyond the period~~  
 36 ~~provided in the policy shall not act to increase the additional living~~  
 37 ~~expense policy limit in force at the time of the loss. This paragraph~~  
 38 ~~shall become operative on January 1, 2007.~~ *provisions. An insurer*  
 39 *shall grant an extension of up to 12 additional months, for a total*  
 40 *of 36 months, if an insured acting in good faith and with reasonable*

1 *diligence encounters a delay or delays in the reconstruction*  
 2 *process that are the result of circumstances beyond the control of*  
 3 *the insured. Circumstances beyond the control of the insured*  
 4 *include, but are not limited to, unavoidable construction permit*  
 5 *delays, lack of necessary construction materials, and lack of*  
 6 *available contractors to perform the necessary work. Additional*  
 7 *extensions of six months shall be provided to policyholders for*  
 8 *good cause.*

9 (c) ~~In the event of a total loss of the insured structure, no a~~  
 10 ~~policy issued or delivered in this state may shall not~~ contain a  
 11 ~~provision that limits or denies denies, on the basis that the insured~~  
 12 ~~has decided to rebuild at a new location or to purchase an already~~  
 13 ~~built home at a new location, payment of the replacement cost in~~  
 14 ~~the event the insured decides to rebuild or replace the property at~~  
 15 ~~a location other than the insured premises. building code upgrade~~  
 16 ~~cost or the replacement cost, including any extended replacement~~  
 17 ~~cost coverage, to the extent those costs are otherwise covered by~~  
 18 ~~the terms of the policy or any policy endorsement. However, the~~  
 19 ~~measure of indemnity shall be based upon not exceed the~~  
 20 ~~replacement cost of the insured property and shall not be based~~  
 21 ~~upon the cost cost, including the building code upgrade cost and~~  
 22 ~~any extended replacement cost coverage, if applicable, to repair,~~  
 23 ~~rebuild, or replace at a location other than the insured premises.~~  
 24 ~~the insured structure at its original location.~~

25 (d) ~~Nothing in this section shall~~ *This section does not* prohibit  
 26 an insurer from restricting payment in cases of suspected fraud.

27 (e) ~~The changes made to this section by the act that added this~~  
 28 ~~subdivision shall be implemented by an insurer on and after the~~  
 29 ~~effective date of that act, except that an insurer shall not be required~~  
 30 ~~to modify policy forms to be consistent with those changes until~~  
 31 ~~July 1, 2005. On and after July 1, 2005, all policy forms used by~~  
 32 ~~an insurer shall reflect those changes.~~

33 (e) *On and after July 1, 2019, all policy forms issued or renewed*  
 34 *by an insurer shall comply with this section.*

35 *SEC. 2.7. Section 2051.5 of the Insurance Code is amended to*  
 36 *read:*

37 2051.5. (a) (1) Under an open policy that requires payment  
 38 of the replacement cost for a loss, the measure of indemnity is the  
 39 amount that it would cost the insured to repair, rebuild, or replace

1 the thing lost or injured, without a deduction for physical  
2 depreciation, or the policy limit, whichever is less.

3 If

4 (2) *If the policy requires the insured to repair, rebuild, or replace*  
5 *the damaged property in order to collect the full replacement cost,*  
6 *the insurer shall pay the actual cash value of the damaged property,*  
7 *as defined in Section 2051, until the damaged property is repaired,*  
8 *rebuilt, or replaced. Once the property is repaired, rebuilt, or*  
9 *replaced, the insurer shall pay the difference between the actual*  
10 *cash value payment made and the full replacement cost reasonably*  
11 *paid to replace the damaged property, up to the limits stated in the*  
12 *policy.*

13 ~~(b) (1) Except as provided in paragraph (2), no time limit of~~  
14 ~~less than 12 months from the date that the first payment toward~~  
15 ~~the actual cash value is made shall be placed upon an insured in~~  
16 ~~order to collect the full replacement cost of the loss, subject to the~~  
17 ~~policy limit. Additional extensions of six months shall be provided~~  
18 ~~to policyholders for good cause. In~~

19 *(b) (1) (A) (i) A time limit of less than 12 months from the date*  
20 *that the first payment toward the actual cash value is made shall*  
21 *not be placed upon an insured in order to collect the full*  
22 *replacement cost of the loss, subject to the policy limit.*

23 *(ii) In the event of a loss relating to a “state of emergency,” as*  
24 *defined in Section 8558 of the Government Code, ~~no~~ a time limit*  
25 *of less than ~~24~~ 36 months from the date that the first payment*  
26 *toward the actual cash value is made shall not be placed upon the*  
27 *insured in order to collect the full replacement cost of the loss,*  
28 *subject to the policy limit. ~~Nothing in this section shall prohibit~~*  
29 *the insurer from allowing the insured additional time to collect the*  
30 *full replacement cost.*

31 *(iii) This section does not prohibit an insurer from allowing the*  
32 *insured additional time to collect the full replacement cost.*

33 *(B) An insurer shall provide to a policyholder one or more*  
34 *additional extensions of six months for good cause pursuant to*  
35 *clause (i) or (ii) of subparagraph (A) if the insured, acting in good*  
36 *faith and with reasonable diligence, encounters a delay or delays*  
37 *in approval for, or reconstruction of, the home or residence that*  
38 *are beyond the control of the insured. Circumstances beyond the*  
39 *control of the insured include, but are not limited to, unavoidable*  
40 *construction permit delays, the lack of necessary construction*

1 *materials, or the unavailability of contractors to perform the*  
2 *necessary work.*

3 (2) In the event of a covered loss relating to a state of  
4 emergency, as defined in Section 8558 of the Government Code,  
5 coverage for additional living expenses ~~shall be for a period of 24~~  
6 ~~months, but shall be subject to other policy provisions, provided~~  
7 ~~that any extension of time required by this paragraph beyond the~~  
8 ~~period provided in the policy shall not act to increase the additional~~  
9 ~~living expense policy limit in force at the time of the loss. This~~  
10 ~~paragraph shall become operative on January 1, 2007. shall be for~~  
11 ~~a period of no less than 24 months from the inception of the loss,~~  
12 ~~but shall be subject to other policy provisions. An insurer shall~~  
13 ~~grant an extension of up to 12 additional months, for a total of 36~~  
14 ~~months, if an insured acting in good faith and with reasonable~~  
15 ~~diligence encounters a delay or delays in the reconstruction~~  
16 ~~process that are the result of circumstances beyond the control of~~  
17 ~~the insured. Circumstances beyond the control of the insured~~  
18 ~~include, but are not limited to, unavoidable construction permit~~  
19 ~~delays, lack of necessary construction materials, and lack of~~  
20 ~~available contractors to perform the necessary work. Additional~~  
21 ~~extensions of six months shall be provided to policyholders for~~  
22 ~~good cause.~~

23 (c) In the event of a total loss of the insured structure, ~~no a~~  
24 ~~policy issued or delivered in this state may contain a provision that~~  
25 ~~limits or denies payment of the replacement cost in the event the~~  
26 ~~insured decides to rebuild or replace the property at a location~~  
27 ~~other than the insured premises. However, the measure of~~  
28 ~~indemnity shall be based upon the replacement cost of the insured~~  
29 ~~property and shall not be based upon the cost to repair, rebuild, or~~  
30 ~~replace at a location other than the insured premises. shall not~~  
31 ~~contain a provision that limits or denies, on the basis that the~~  
32 ~~insured has decided to rebuild at a new location or to purchase~~  
33 ~~an already built home at a new location, payment of the building~~  
34 ~~code upgrade cost or the replacement cost, including any extended~~  
35 ~~replacement cost coverage, to the extent those costs are otherwise~~  
36 ~~covered by the terms of the policy or any policy endorsement.~~  
37 ~~However, the measure of indemnity shall not exceed the~~  
38 ~~replacement cost, including the building code upgrade cost and~~  
39 ~~any extended replacement cost coverage, if applicable, to repair,~~  
40 ~~rebuild, or replace the insured structure at its original location.~~

1 (d) ~~Nothing in this section shall~~ *This section does not prohibit*  
2 an insurer from restricting payment in cases of suspected fraud.

3 (e) ~~The changes made to this section by the act that added this~~  
4 ~~subdivision shall be implemented by an insurer on and after the~~  
5 ~~effective date of that act, except that an insurer shall not be required~~  
6 ~~to modify policy forms to be consistent with those changes until~~  
7 ~~July 1, 2005. On and after July 1, 2005, all policy forms used by~~  
8 ~~an insurer shall reflect those changes.~~

9 (e) (1) *On and after July 1, 2005, and only until July 1, 2019,*  
10 *all policy forms used by an insurer shall be in compliance with*  
11 *this section, except for the changes made to this section by the act*  
12 *that added paragraph (2).*

13 (2) *On and after July 1, 2019, all policy forms issued by an*  
14 *insurer shall be in compliance with this section in its entirety,*  
15 *including the changes made to this section by the act that added*  
16 *this paragraph.*

17 SEC. 3. Section 10103.7 is added to the Insurance Code, to  
18 read:

19 10103.7. (a) ~~In the event of a covered loss relating to a state~~  
20 ~~of emergency, as defined in Section 8558 of the Government Code,~~  
21 ~~an insured under a residential property insurance policy shall be~~  
22 ~~permitted to combine payments for claims for losses up to the~~  
23 ~~policy limits for the primary dwelling and other structures, for any~~  
24 ~~of the covered expenses reasonably necessary to rebuild or replace~~  
25 ~~the damaged or destroyed dwelling, if the policy limits for coverage~~  
26 ~~to rebuild or replace the primary dwelling are insufficient. Any~~  
27 ~~claims payments for losses pursuant to this subdivision for which~~  
28 ~~replacement cost coverage is applicable shall be for the full~~  
29 ~~replacement value of the loss without requiring actual replacement~~  
30 ~~of the other structures or contents. Claims payments for other~~  
31 ~~structures in excess of the amount applied towards the necessary~~  
32 ~~cost to rebuild or replace the damaged or destroyed dwelling shall~~  
33 ~~be paid according to the terms of the policy.~~

34 (b) ~~(1) In the event of a covered total loss of a primary dwelling~~  
35 ~~under a residential property insurance policy resulting from a state~~  
36 ~~of emergency as defined in Section 8558 of the Government Code,~~  
37 ~~if the residence was furnished at the time of the loss, the insurer~~  
38 ~~shall offer a payment under the contents coverage in an amount~~  
39 ~~no less than 30 percent of the policy limit applicable to the covered~~  
40 ~~dwelling structure, up to a maximum of two hundred and fifty~~

1 thousand dollars (\$250,000), without requiring the insured to file  
2 an itemized claim.

3 ~~(2) After receiving the payment described in paragraph (1), the~~  
4 ~~insured may recover additional amounts up to the policy limit for~~  
5 ~~contents coverage by filing a claim pursuant to the terms of the~~  
6 ~~policy for the loss of contents that exceeds the value of the payment~~  
7 ~~provided pursuant to paragraph (1).~~

8 ~~(3) When an insured files a claim relating to a state of emergency~~  
9 ~~as defined in Section 8558 of the Government Code, the insurer~~  
10 ~~shall notify the insured of the option to receive payment for loss~~  
11 ~~of contents pursuant to paragraph (1) and of the insured's option~~  
12 ~~to subsequently file a full itemized claim pursuant to paragraph~~  
13 ~~(2).~~

14 ~~(4) This subdivision does not affect payment under the policy~~  
15 ~~for scheduled personal property.~~

16 ~~(5) This section does not prohibit an insurer from restricting~~  
17 ~~payment in cases of suspected fraud.~~

18 SEC. 4. The provisions of this bill are severable. If any  
19 provision of this bill or its application is held invalid, that invalidity  
20 shall not affect other provisions or applications that can be given  
21 effect without the invalid provision or application.

22 SEC. 5. (a) *Section 1.5 of this bill incorporates amendments*  
23 *to Section 675.1 of the Insurance Code proposed by both this bill*  
24 *and Senate Bill 824. That section of this bill shall only become*  
25 *operative if (1) both bills are enacted and become effective on or*  
26 *before January 1, 2019, (2) each bill amends Section 675.1 of the*  
27 *Insurance Code, and (3) this bill is enacted after Senate Bill 824,*  
28 *in which case Section 1 of this bill shall not become operative.*

29 (b) *Section 2.3 of this bill incorporates amendments to Section*  
30 *2051.5 of the Insurance Code proposed by this bill and Assembly*  
31 *Bill 1772. That section of this bill shall only become operative if*  
32 *(1) both bills are enacted and become effective on or before*  
33 *January 1, 2019, (2) each bill amends Section 2051.5 of the*  
34 *Insurance Code, (3) Assembly Bill 1800 is not enacted or as*  
35 *enacted does not amend that section, and (4) this bill is enacted*  
36 *after Assembly Bill 1772, in which case Section 2051.5 of the*  
37 *Insurance Code, as amended by Assembly Bill 1772, shall remain*  
38 *operative only until the operative date of this bill, at which time*  
39 *Section 2.3 of this bill shall become operative, and Sections 2, 2.5,*  
40 *and 2.7 of this bill shall not become operative.*

1 (c) Section 2.5 of this bill incorporates amendments to Section  
2 2051.5 of the Insurance Code proposed by this bill and Assembly  
3 Bill 1800. That section of this bill shall only become operative if  
4 (1) both bills are enacted and become effective on or before  
5 January 1, 2019, (2) each bill amends Section 2051.5 of the  
6 Insurance Code, (3) Assembly Bill 1772 is not enacted or as  
7 enacted does not amend that section, and (4) this bill is enacted  
8 after Assembly Bill 1800, in which case Section 2051.5 of the  
9 Insurance Code, as amended by Assembly Bill 1800, shall remain  
10 operative only until the operative date of this bill, at which time  
11 Section 2.5 of this bill shall become operative, and Sections 2, 2.3,  
12 and 2.7 of this bill shall not become operative.

13 (d) Section 2.7 of this bill incorporates amendments to Section  
14 2051.5 of the Insurance Code proposed by this bill, Assembly Bill  
15 1772, and Assembly Bill 1800. That section of this bill shall only  
16 become operative if (1) all three bills are enacted and become  
17 effective on or before January 1, 2019, (2) all three bills amend  
18 Section 2051.5 of the Insurance Code, and (3) this bill is enacted  
19 after Assembly Bill 1772 and Assembly Bill 1800, in which case  
20 Section 2051.5 of the Insurance Code, as amended by Assembly  
21 Bill 1772 or Assembly Bill 1800, shall remain operative only until  
22 the operative date of this bill, at which time Section 2.7 of this bill  
23 shall become operative, and Sections 2, 2.3, and 2.5 of this bill  
24 shall not become operative.