

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1.

Section 675.1 of the Insurance Code is amended to read:

675.1.

In the case of a total loss to the primary insured structure under a residential policy subject to Section 675, the following provisions apply:

(a) 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.

(b) 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.

(c) Except for the reasons specified in subdivisions (a) to (e), inclusive, of Section 676, the insurer shall offer, for at least the next two annual renewal periods, but no less than 24 months of coverage from the date of the loss, to renew the policy in accordance with subdivision (a) 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~~ Section 8558 of the Government 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, and there were no losses that relate to physical or risk changes to the insured property that result in the property becoming uninsurable.~~ This subdivision shall not apply if in the case of a declaration of emergency the loss was also due to the negligence of the insured, losses have occurred subsequent to the disaster-related total loss, or there were physical or risk changes to the insured property that result in the property becoming uninsurable.

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

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

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

(2) The California Earthquake Authority, in lieu of meeting the requirements of subdivision (a), shall establish procedures and practices that allow it to reasonably accommodate the needs and interests of consumers in maintaining appropriate earthquake insurance coverage, within the statutory and regulatory limitations on the types of insurance coverages and the coverage limits of the policies that the authority may issue.

(f) Subdivision (c) does not apply under either of the following circumstances:

(1) If the renewal of the policy would threaten the financial solvency of the insurer.

(2) If the insurer suffers the withdrawal of reinsurance covering all or part of the risk and this withdrawal will likely threaten the financial solvency of the insurer.

(g) An insurer that does not renew a policy pursuant to subdivision (f) shall report that nonrenewal and the factors that threaten the financial solvency of the insurer to the commissioner.

SEC. 2.

Section 2051.5 of the Insurance Code is amended to read:

2051.5.

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

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

(b) (1) Except as provided in paragraph (2), no time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall be placed upon an insured 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. In the event of a loss relating to a “state of emergency,” as defined in Section 8558 of the Government Code, no time limit of less than 24 months from the date that the first payment toward the actual cash value is made shall be placed upon the insured in order to collect the full replacement cost of the loss, subject to the policy limit. This section does not prohibit the insurer from allowing the insured additional time to collect the full replacement cost.

(2) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, coverage for additional living expenses shall be for a period of no less than 24 months from the inception of the loss, but shall be subject to other policy provisions. ~~For a policy that imposes a dollar limit on the amount of coverage provided for additional living expenses, an~~ For a policy that imposes a dollar limit on the amount of coverage provided for additional living expenses, an insurer shall grant an extension of up to 12 additional months, for a total of 36 months, for good cause 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.~~

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

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

SEC. 3.

Section 10103.7 is added to the Insurance Code, to read:

10103.7.

~~In the event of a loss relating to a state of emergency, as defined in Section 8558 of the Government Code, 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, other structures, contents, and additional living expenses. If the insured chooses this option, the insured may use these combined limits and contents for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, other structures, or contents, or for additional living expenses, if the policy limits for coverage to rebuild or replace the primary dwelling are insufficient. Any claims payments for losses pursuant to this section shall be for the full replacement value of the loss without requiring actual replacement of the other structure, or contents.~~

(a) Subject to subdivision (b) of this section, in the event of a covered total loss of a primary dwelling under a residential property insurance policy resulting from a state of emergency as defined in Section 8558 of the Government Code, if the policy limit is not sufficient to pay for the loss sustained by the primary dwelling, the insured may elect to receive the replacement cost of destroyed property under other structures coverage up to the policy limits of that coverage, without replacing the destroyed property, to the extent that replacement cost benefits for such losses are otherwise due and owing under the policy contract.

(b) Replacement cost benefits under subdivision (a) of this section shall be available for covered loss up to the additional amount reasonably necessary to complete rebuilding of the dwelling. Subdivision (a) does not apply to other structures used for commercial purposes or to the extent such structures constitute a safety hazard if left unrepaired.

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

SEC. 4.

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

SEC. 5.

~~Subdivision (c) of Section 675.1 of the Insurance Code, as amended by this bill, and paragraph (2) of subdivision (b) of Section 2051.5 of the Insurance Code, as amended by this bill, act shall be applied retroactively for policies in effect on or after January 1, 2019, with respect to any applicable claim filed on or after July 1, 2017.~~

Insurance Code Sections 2051.5 (b) (2) and 10103.7 shall apply to claims arising from loss occurring on or after January 1, 2019.