

Introduced by Senator LaraJanuary 3, 2018

An act to amend Sections 675.1 and 676 of, and to add Section 758.8 to, the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 824, as introduced, Lara. Insurance: nonrenewal.

(1) Existing law requires an insurer to comply with certain procedures relating to the cancellation of insurance policies, except as specified, in the case of a total loss to the primary insured structure under a residential policy. Among other requirements, an insurer may not cancel coverage while the primary insured structure is being rebuilt, as specified, nor 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, and must offer, at least once, to renew the policy, as specified, if the total loss to the primary insured structure was caused by a disaster.

This bill would express the intent of the Legislature to clarify that the provision described above is applicable to all insured properties located within a county for which a state of emergency has been declared, as specified.

(2) Existing law prohibits cancellation of a policy that has been in effect for 60 days unless, after the effective date of the policy, one or more specified acts have occurred, including nonpayment of the premium, conviction of the named insured of a crime having as one of its necessary elements an act increasing any hazard insured against, or the discovery of fraud or material misrepresentation, as specified.

This bill would also prohibit the nonrenewal of the policy under those circumstances.

(3) Existing law governs the business of insurance and proscribes certain unlawful practices. Existing law requires the Insurance Commissioner to enforce the laws and regulations governing the business of insurance.

This bill would require an insurer that intends to materially reduce the number of policies written by that insurer covering properties located within a particular geographic region to submit to the commissioner, at least 30 days prior to implementing that action, or 60 days prior to implementing that action if the policies include homeowners’ insurance policies, a plan for the orderly reduction of volume of policies written and would specify the information that must be included in the plan. The bill would provide that the commissioner would have 30 days to approve or disapprove the plan submitted. The bill would require the commissioner to approve the plan if the insurer demonstrates that the material reduction would be accomplished in a manner that minimizes market disruption in areas of material reduction. The bill would also require the commissioner to assess the impact of the planned withdrawal from potentially impacted counties.

(4) The bill would also express the intent of the Legislature to enact legislation that would require insurance companies to provide mitigation discounts and continued coverage to homeowners who employ wildlife mitigation techniques.

Vote: majority. Appropriation: no. Fiscal committee: yes. 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
8 to or at the time of renewal, and after consultation by the insurer
9 or its representative with the insured as to what limits and
10 coverages might or might not be needed, shall adjust the limits
11 and coverages, write an additional policy, or attach an endorsement
12 to the policy that reflects the change, if any, in the insured’s

1 exposure to loss. The insurer shall adjust the premium charged to
2 reflect any change in coverage.

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

10 (c) Except for the reasons specified in subdivisions (a) to (e),
11 inclusive, of Section 676, the insurer shall offer to, at least once,
12 renew the policy in accordance with the provisions of subdivision
13 (a) if the total loss to the primary insured structure was caused by
14 a disaster, as defined in subdivision (b) of Section 1689.14 of the
15 Civil Code, and the loss was not also due to the negligence of the
16 insured.

17 (d) With respect to policies of residential earthquake insurance,
18 the California Earthquake Authority, or any insurer, including a
19 participating insurer, as defined in subdivision (i) of Section
20 10089.5, may defer its initial implementation of this section until
21 no later than October 1, 2005.

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

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

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

36 (f) *It is the intent of the Legislature to clarify that this section*
37 *applies, but is not limited to, all insured properties located within*
38 *a county for which a state of emergency has been declared by the*
39 *President of the United States or the Governor, or for which a*

1 *local emergency has been declared by the executive officer or*
2 *governing body of a city, county, or city and county.*

3 SEC. 2. Section 676 of the Insurance Code is amended to read:

4 676. After a policy specified in Section 675 has been in effect
5 for 60 days, or, if the policy is a renewal, effective immediately,
6 no notice of cancellation *or nonrenewal* shall be effective unless
7 it is based on the occurrence, after the effective date of the policy,
8 of one or more of the following:

9 (a) Nonpayment of premium, including nonpayment of any
10 additional premiums, calculated in accordance with the current
11 rating manual of the insurer, justified by a physical change in the
12 insured property or a change in its occupancy or use.

13 (b) Conviction of the named insured of a crime having as one
14 of its necessary elements an act increasing any hazard insured
15 against.

16 (c) Discovery of fraud or material misrepresentation by either
17 of the following:

18 (1) The insured or his or her representative in obtaining the
19 insurance.

20 (2) The named insured or his or her representative in pursuing
21 a claim under the policy.

22 (d) Discovery of grossly negligent acts or omissions by the
23 insured or his or her representative substantially increasing any of
24 the hazards insured against.

25 (e) Physical changes in the insured property which result in the
26 property becoming uninsurable.

27 SEC. 3. Section 758.8 is added to the Insurance Code, to read:

28 758.8. (a) An insurer that intends to materially reduce the
29 number of policies written by that insurer covering properties
30 located within a particular geographic region shall submit to the
31 commissioner, at least 30 days prior to implementing that action,
32 or 60 days prior to implementing that action if the policies include
33 homeowners' insurance policies, a plan for the orderly reduction
34 of the volume of policies written that does all of the following:

35 (1) Describes the contemplated actions.

36 (2) Sets forth the reasons for those actions.

37 (3) Describes the measures the insurer intends to take in order
38 to minimize market disruption.

39 (4) Provides other information that the commissioner requires.

1 (b) The commissioner shall have 30 days to approve or
2 disapprove the plan submitted pursuant to subdivision (a). The
3 commissioner shall approve the plan if the insurer demonstrates
4 that the material reduction will be accomplished in a manner that
5 minimizes market disruption in areas of material reduction. In
6 reviewing each plan submitted, the commissioner shall assess the
7 impact of the planned withdrawal from potentially impacted
8 counties.

9 SEC. 4. It is the intent of the Legislature to enact legislation
10 that would require insurance companies to provide mitigation
11 discounts and continued coverage to homeowners who employ
12 wildlife mitigation techniques.

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