

## **AB 1800 (Levine)** **Rebuilding a Home After a Total Loss**

### **Bill Summary**

In the event of a total loss, AB 1800 would require an insurer to payout the full extended replacement cost benefit covered under the provisions of a plan, regardless whether the policy holder chooses to rebuild at the same location, rebuild at a new location, or purchase an already built home.

### **Existing Law**

Currently, in the event of a total loss, California Insurance Code section 2051.5 (c) denies an insurer the ability to limit or deny payment of the replacement cost of an insured structure regardless if the policy holder decides to rebuild or replace the property at a location other than the insured premises.

### **Background**

In 2017, California suffered the most deadly and damaging fires in state history. In December, the Department of Insurance announced that the North Bay fires claimed the lives of 44 people and accounted for \$9 billion in residential and commercial losses. These losses account for over 17,000 damaged homes including over 5,000 homes that were completely destroyed in the North Bay alone.

After each major wildfire, insurance related issues arise in the recovery process that negatively impact survivors attempting to rebuild their homes and property. One issue revealed during the fires of 2017 is that some insurers are seeking to deny extended replacement cost coverage if the policy holder decides to purchase a new property, or rebuild at a different location.

The purpose of an extended replacement cost insurance plan is to ensure a policy holder has enough coverage in the event there is a sudden spike in the cost of construction materials or housing such as after the North Bay fires. This

type of coverage comes at an additional cost to a policy holder.

### **The Solution**

AB 1800 would clarify that after a total loss, an insurer would be responsible for any additional extended replacement cost covered by a plan regardless of if a policy holder decides to rebuild in the same location, rebuild in a new location, or purchase a new home.

Climate Change is increasing the intensity and risk of fires across the state. It may not be prudent for some families to rebuild in the area where their home burned down. This bill will ensure that policy holders who have lost their home to fire, and pay additional costs for additional coverage, can rebuild or purchase a new home in an area that is safe, up to the value of their plan.

AB 1800 will base the extended replacement coverage on the value of the insured property, not the cost of rebuilding, or purchasing a new home at a different location.

### **For More Information**

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