

# SB 897

## Residential Property Insurance: Wildfires

Senator McGuire and Dodd

### SUMMARY

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The North Bay Firestorm was the most destructive and deadly in modern American history. The level of destruction was unprecedented with over 6,000 homes completely destroyed and 44 neighbors tragically lost their lives. California residents have never witnessed a fire season like the one that hit our state in 2017. A total of 30,000 structures were destroyed or damaged totaling \$12 billion.

Losing a home is one of the worst life experiences a person can live through. The loss takes a significant emotional toll on a family. The massive amount of paperwork and unrelenting details that insurance companies require residents to go through for recouping their losses puts an unreasonable burden and hardship on disaster-stricken victims.

SB 897 would create standards to expedite residential insurance claims after a Governor-declared disaster and allows survivors to start rebuilding their lives and homes. California is facing a new reality when it comes to wildland fire disasters. An expedited road to recovery is essential to the well-being of our state, residents and local economies.

### PROBLEM

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California residential insurance policies require homeowners and renters to prepare an exhaustive inventory of damaged property showing in detail the quantity, description, age, replacement costs, and amount of loss. They must also provide proof of these costs by attaching bills, receipts, and other related documents.

This is often an impossible task requiring proof of hundreds or thousands of items that have been with families for decades, if not generations.

Also, due to the extreme circumstances and lack of traditional housing after a major disaster, unique situations arise that are not covered specifically under Additional Living Expenses (ALE), such as vacation rental homes such as utilizing Airbnb, short-term rentals, RV's, and housing for pets.

While it can take years for someone to rebuild their home, the pressure of dealing with life's demands is an immediate concern for disaster victims. They must deal with everything from finding a new place to live, to purchasing food, and keep up with their jobs, bills and other living expenses within hours of losing their home.

### SOLUTION

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SB 897 creates a fair and reasonable compromise for homeowners and renters. For homes considered a total loss and located in a Governor-declared disaster area, SB 897 would:

- Require insurance companies to make an immediate advance payment of at least 25% of an insured's content policy limit and four months of their housing and living expenses (ALE) without submitting a cumbersome itemization list.
- Require insurers to offer victims no less than 80% of their contents policy limits without the expense itemization requirement.
- Allow insureds, if they choose to report their inventory, to group items and use their own forms rather than use a company's forms.
- Grant a 30-day grace period on policy premiums immediately following a Governor-declared disaster.

For all new home insurance policies, SB 897 would require insurance companies to disclose exactly what is covered under Additional Living Expenses (ALE).

The legislation would also give the option for insured residents to collect monthly ALE equal to the amount their home would have rented for, in furnished condition, instead of having to itemize all of their monthly personal expenses.

Enacting these procedures into law and making them automatic and mandatory after a declared disaster will provide fairness and peace of mind to disaster survivors.

### CONTACT

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### SUPPORT

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