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AB-1797 Residential property insurance. (2017-2018)

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Assembly Bill No. 1797

CHAPTER 205

An act to add Section 10103.4 to the Insurance Code, relating to insurance.

[Approved by Governor August 27, 2018. Filed with Secretary of State August 27, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1797, Levine. Residential property insurance.

Existing law requires a named insured on a residential property insurance policy be provided with a copy of the California Residential Property Insurance Disclosure which sets forth a description of certain types of insurance coverage, such as actual cash value coverage and guaranteed replacement cost coverage, as specified. Existing law also requires every California Residential Property Insurance Disclosure be accompanied by a California Residential Property Insurance Bill of Rights.

This bill would require an insurer that provides replacement cost coverage to provide, on an every other year basis, at the time an offer to renew a policy of residential property insurance is made to the policyholder, an estimate of the cost necessary to rebuild or replace the insured structure that complies with specified existing regulations. The bill would exempt an insurer from this requirement if either the policyholder has requested, within the 2 years prior to the offer to renew the policy, and the insurer has provided, coverage limits greater than the previous limits that the policyholder had selected, or if the insurer has made specified offers to the policyholder. The bill would state its provisions are not intended to change existing law with respect to the duty of a policyholder or applicant to select the coverage limits for a policy of residential property insurance. The bill's provisions would become operative July 1, 2019.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

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

SECTION 1. Section 10103.4 is added to the Insurance Code, to read:

10103.4. (a) An insurer that provides replacement cost coverage in accordance with Section 10102, except an insurer that satisfies the requirements of subdivision (b), shall, on an every other year basis, at the time an offer to renew a policy of residential property insurance is made to the policyholder, provide an estimate of the cost necessary to rebuild or replace the insured structure that complies with Sections 2695.180 to 2695.183, inclusive, of Article 1.3 of Subchapter 7.5 of Chapter 5 of Title 10 of the California Code of Regulations, as those sections provided on January 1, 2018.

(b) An insurer that satisfies either of the following is not subject to subdivision (a):

(1) The policyholder has requested, within the two years prior to the offer to renew the policy, and the insurer has provided, coverage limits greater than the previous limits that the policyholder had selected.

(2) The insurer has, in connection with its annual offer to renew the policy, done both of the following:

(A) Offers, on an every other year basis, the policyholder the right to have a new estimate of the replacement cost for the insured dwelling, that is compliant with Sections 2695.180 to 2695.183, inclusive, of Article 1.3 of Subchapter 7.5 of Chapter 5 of Title 10 of the California Code of Regulations, as those sections provided on January 1, 2018, provided the policyholder provides the necessary, requested information.

(B) Offered the renewal of the policy and the dwelling coverage limit in the renewal offer is based on an inflation factor that reflects the cost of construction in the policyholder's geographic area. This paragraph applies whether or not the policyholder has elected to accept that coverage limit.

(c) This section shall not be deemed to limit or preclude an insurer and insured from agreeing to provide coverage for a policy limit that is greater or lesser than the estimate of replacement value provided in accordance with subdivision (a).

(d) This section is not intended to change existing law with respect to the duty of the policyholder or applicant to select the coverage limits for a policy of residential property insurance.

(e) This section shall become operative on July 1, 2019.