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AB-2756 Residential property insurance. (2019-2020)

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Assembly Bill No. 2756

CHAPTER 263

An act to amend Sections 678, 10102, and 10103 of, and to add Section 10103.6 to, the Insurance Code, relating to insurance.

[Approved by Governor September 29, 2020. Filed with Secretary of State September 29, 2020.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2756, Limón. Residential property insurance.

Existing law generally regulates residential property insurance. Existing law requires specified information to be included on the declarations page of a residential property insurance policy, including limits of liability for the structure and personal property. Existing law requires an insurer to deliver or mail to the named insured an offer of renewal or a notice of nonrenewal of an insurance policy at least 45 days before the policy expiration, or 75 days before the policy expiration for a notice of nonrenewal for a policy that expires on or after July 1, 2020. Existing law requires an offer of renewal to include specified information, including any reduction of limits or elimination of coverage.

Existing law prescribes the standard form of the California Residential Insurance Disclosure, which sets forth a description of certain types of insurance coverage, and explains that building code upgrade coverage covers additional costs to comply with building codes in effect at the time of loss or rebuilding. Existing law requires specified information, including whether or not the policy provides building code upgrade coverage for the increased costs of repairing or replacing damage because of building ordinances or laws, to be included on the declarations page of a residential property insurance policy. Under an open policy that requires payment of actual cash value, existing law requires the measure of the actual cash value recovery for either a total or partial loss to the structure or its contents to be the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. Under existing law, a deduction for physical depreciation under actual cash value coverage applies only to components of a structure that are normally subject to repair and replacement during the useful life of that structure.

This bill would require an insurer to obtain a signed acknowledgment from an applicant or insured if the insurer issues a new residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire. The bill would require the declarations page of a residential property insurance policy issued or renewed on or after July 1, 2021, that does not provide coverage for the peril of fire to prominently disclose a statement that the policy does not cover the peril of fire and information on the California FAIR Plan and the California Home Insurance Finder.

This bill would require an offer of renewal stating a reduction of limits or elimination of coverage to identify the specific limits being reduced or the coverage being eliminated by the offer of renewal.

This bill would require an open policy of residential property insurance, except as specified, that provides replacement cost coverage, issued or renewed on or after July 1, 2021, to provide additional building code upgrade coverage of no less than 10%

of the dwelling coverage policy limits. The bill would require building code upgrade coverage to be based on the increased costs associated with building ordinances and laws at the time of loss or rebuilding. The bill would further require, also on or after July 1, 2021, a policy of residential property insurance that provides replacement cost coverage to include specific information relating to building code upgrade coverage on the declarations page of the policy. The bill would require a policy of residential property insurance that does not provide building code upgrade coverage to include a statement on the declarations page of the policy that the policy does not include building code upgrade coverage. The bill would also amend the description of actual cash value coverage in the California Residential Insurance Disclosure to conform to the existing statutory requirements of an open policy that requires payment of actual cash value.

This bill would incorporate additional changes to Section 678 of the Insurance Code proposed by AB 3012 to be operative only if this bill and AB 3012 are enacted and this bill is enacted last.

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

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

SECTION 1. Section 678 of the Insurance Code is amended to read:

678. (a) At least 45 days before the policy expiration, an insurer shall deliver to the named insured or mail to the named insured at the address shown in the policy, either of the following:

(1) An offer of renewal of the policy contingent upon payment of premium as stated in the offer, stating each of the following:

(A) Any reduction of limits or elimination of coverage. That reduction of limits or elimination of coverage shall identify the specific limits being reduced or coverage being eliminated by the offer of renewal. The elimination of coverage for the previously covered peril of fire shall be subject to subdivision (b) of Section 10103.6.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the renewal offer.

(2) A notice of nonrenewal of the policy. That notice shall contain all of the following:

(A) The specific reason or reasons for the nonrenewal.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the notice of nonrenewal.

(C) Until July 1, 2020, a brief statement indicating that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the telephone number of the unit within the department that responds to consumer inquiries and complaints.

(D) On or after July 1, 2020, a statement that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the department's internet website, www.insurance.ca.gov, the department's telephone number, (800) 927-HELP (4357), and the mailing address of the department's Consumer Services Division, 300 S. Spring Street, Los Angeles, CA 90013.

(b) If an insurer fails to give the named insured either an offer of renewal or notice of nonrenewal as required by this section, the existing policy, with no change in its terms and conditions, shall remain in effect for 45 days from the date that either the offer to renew or the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the policy or the notice of renewal or nonrenewal.

(c) Notwithstanding subdivisions (a) and (b), with respect to a notice of nonrenewal for a policy that expires on or after July 1, 2020, the following timelines apply:

(1) At least 75 days before the policy expiration, the insurer shall deliver the notice of nonrenewal to the named insured or mail the notice of nonrenewal to the named insured at the address shown in the policy. The notice shall include the information contained in paragraph (2) of subdivision (a).

(2) If an insurer fails to give the named insured a notice of nonrenewal at least 75 days before the policy expiration, as required by paragraph (1), the existing policy, with no change in its terms and conditions, shall remain in effect for 75 days from the date that the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the notice of nonrenewal.

(d) A policy written for a term of less than one year shall be considered as if written for a term of one year. A policy written for a term longer than one year, or a policy with no fixed expiration date, shall be considered as if written for successive policy periods

or terms of one year.

(e) This section applies only to policies of insurance specified in Section 675.

SEC. 1.5. Section 678 of the Insurance Code is amended to read:

678. (a) At least 45 days before the policy expiration, an insurer shall deliver to the named insured or mail to the named insured at the address shown in the policy, either of the following:

(1) An offer of renewal of the policy contingent upon payment of premium as stated in the offer, stating each of the following:

(A) Any reduction of limits or elimination of coverage. That reduction of limits or elimination of coverage shall identify the specific limits being reduced or coverage being eliminated by the offer of renewal. The elimination of coverage for the previously covered peril of fire shall be subject to subdivision (b) of Section 10103.6.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the renewal offer.

(2) A notice of nonrenewal of the policy. That notice shall contain all of the following:

(A) The specific reason or reasons for the nonrenewal.

(B) The telephone number of the insurer's representatives who handle consumer inquiries or complaints. The telephone number shall be displayed prominently in a font size consistent with the other text of the notice of nonrenewal.

(C) Until July 1, 2020, a brief statement indicating that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the telephone number of the unit within the department that responds to consumer inquiries and complaints.

(D) On or after July 1, 2020, a statement that if the consumer has contacted the insurer to discuss the nonrenewal and remains unsatisfied, the consumer may have the matter reviewed by the department. The statement shall include the department's internet website, www.insurance.ca.gov, the department's telephone number, (800) 927-HELP (4357), and the mailing address of the department's Consumer Services Division, 300 S. Spring Street, Los Angeles, CA 90013.

(b) If an insurer fails to give the named insured either an offer of renewal or notice of nonrenewal as required by this section, the existing policy, with no change in its terms and conditions, shall remain in effect for 45 days from the date that either the offer to renew or the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the policy or the notice of renewal or nonrenewal.

(c) Notwithstanding subdivisions (a) and (b), with respect to a notice of nonrenewal for a policy that expires on or after July 1, 2020, the following timelines apply:

(1) At least 75 days before the policy expiration, the insurer shall deliver the notice of nonrenewal to the named insured or mail the notice of nonrenewal to the named insured at the address shown in the policy. The notice shall include the information contained in paragraph (2) of subdivision (a).

(2) If an insurer fails to give the named insured a notice of nonrenewal at least 75 days before the policy expiration, as required by paragraph (1), the existing policy, with no change in its terms and conditions, shall remain in effect for 75 days from the date that the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the notice of nonrenewal.

(d) A policy written for a term of less than one year shall be considered as if written for a term of one year. A policy written for a term longer than one year, or a policy with no fixed expiration date, shall be considered as if written for successive policy periods or terms of one year.

(e) A notice of nonrenewal for a residential property insurance policy expiring on or after July 1, 2021, shall be accompanied by the following notice:

The California Department of Insurance has developed the California Home Insurance Finder, an online tool that can assist you in obtaining insurance for your home. The Finder contains names, addresses, telephone numbers, and internet website links of licensed insurance agents, brokers, and insurance companies that may be able to sell insurance to you. The Finder is organized by ZIP Code and the languages in which the agent, broker, or insurance company sells insurance.

The California FAIR Plan (FAIR Plan) provides basic property insurance as the "insurer of last resort" if you cannot find insurance coverage for your property in the normal (voluntary) insurance market. The FAIR Plan provides basic property insurance

coverage for residential structures, as well as personal property coverage for residential and business occupancies. However, FAIR Plan policies may not cover liability, theft, or water damage, among other things. There are also optional coverages available for both residential properties. Applications can be made directly with the FAIR Plan (cfpnet.com), although the FAIR Plan strongly encourages use of a licensed agent or broker for assistance in preparing and obtaining a quote. There is no additional cost for using an agent or broker for purchasing a FAIR Plan policy.

California law requires an agent or broker to assist a person seeking a FAIR Plan policy by (1) submitting a coverage application to the FAIR Plan on behalf of the consumer, (2) providing the consumer the FAIR Plan's internet website address and toll-free telephone number, or (3) obtaining a policy for the consumer through an admitted or nonadmitted insurer.

To supplement a FAIR Plan policy, a Difference in Conditions (DIC) policy should be considered. A DIC policy is sold by some private insurers, and provides coverage for things not covered by the basic property insurance policy provided by the FAIR Plan. A consumer who wants broader coverage than that provided by the FAIR Plan policy should contact an agent, broker, or insurance company that offers a DIC policy to obtain this additional coverage. The Department of Insurance maintains a list of insurance companies that sell DIC policies on its internet website (insurance.ca.gov). Additional assistance may be obtained by contacting an agent or broker listed with the department's online agent locator.

(f) An insurer may use a notice substantially similar to the notice set forth in subdivision (e) to the extent that the notice provides additional or more detailed information.

(g) This section applies only to policies of insurance specified in Section 675.

SEC. 2. Section 10102 of the Insurance Code is amended to read:

10102. (a) The disclosure required by Section 10101 shall be in no less than 10-point type and shall be provided prior to or concurrent with, the application for a policy of residential property insurance. In the event that an application is made by telephone, an insurer that mails a copy of the disclosure within three business days shall be in compliance with this section. For policies issued on or after July 1, 1993, the agent or insurer shall obtain the applicant's signature acknowledging receipt of the disclosure form within 60 days of the date of the application. When the insurer or agent establishes delivery of the disclosure form by obtaining the signature of the applicant or insured, or when an insurer or agent provides the applicant with the disclosure form and the applicant does not return a signed acknowledgment of receipt within 60 days of the date it was provided, there shall be a conclusive presumption that the insurer or agent has complied with the disclosure requirement of this chapter. The insurer or agent shall have the burden of demonstrating in accordance with California Rules of Evidence that the disclosure was provided to the applicant or insured. A signature shall not be required at the time of renewal.

If the disclosure is mailed to the named insured or applicant, it shall be mailed to the mailing address shown on the policy of residential property insurance or to the address requested by the applicant. First-class mail shall be deemed adequate for proof of mailing. The insurer shall have the burden of demonstrating in accordance with California Rules of Evidence that the disclosure was mailed to the applicant or insured.

The disclosure shall contain the following language:

"NOTICE TO CONSUMERS — CALIFORNIA RESIDENTIAL INSURANCE DISCLOSURE

This disclosure is required by Section 10102 of the California Insurance Code. This form provides general information related to residential property insurance and is not part of your residential property insurance policy. Only the specific provisions of your policy will determine whether a particular loss is covered and the amount payable. The information provided does not preempt existing California law.

PRIMARY FORMS OF RESIDENTIAL DWELLING COVERAGE

You have purchased the coverage(s) checked below. NOTE: Actual Cash Value Coverage is the most limited level of coverage listed. Guaranteed Replacement Cost is the broadest level of coverage.

_____ ACTUAL CASH VALUE COVERAGE for either a total or partial loss to the structure or its contents pays the amount it would cost you to repair, rebuild, or replace the thing lost or injured, less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. A deduction for physical depreciation applies only to components of a structure that are normally subject to repair and replacement during the useful life of that structure.

_____ REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling, without a deduction for physical depreciation. Many policies pay only the dwelling's actual cash value until the insured has actually begun or completed repairs or reconstruction on the dwelling. Coverage only pays for replacement costs up to the limits specified in your policy.

_____ EXTENDED REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling without a deduction for physical depreciation. Many policies pay only the dwelling's actual cash value until the insured has actually begun or completed repairs or reconstruction on the dwelling. Extended Replacement Cost provides additional coverage above the dwelling limits up to a stated percentage or specific dollar amount. See your policy for the additional coverage that applies.

_____ GUARANTEED REPLACEMENT COST COVERAGE covers the full cost to repair or replace the damaged or destroyed dwelling for a covered peril regardless of the dwelling limits shown on the policy declarations page.

_____ BUILDING CODE UPGRADE COVERAGE, also called Ordinance and Law coverage, covers additional costs to repair or replace a dwelling to comply with the building codes and zoning laws in effect at the time of loss or rebuilding. These costs may otherwise be excluded by your policy. Meeting current building code requirements can add significant costs to rebuilding your home. Refer to your policy or endorsement for the specific coverage provided and coverage limits that apply.

READ YOUR POLICY AND POLICY DECLARATIONS PAGE CAREFULLY: The policy declarations page shows the specific coverage limits you have purchased for your dwelling, personal property, separate structures such as detached garages, and additional living expenses. The actual policy and endorsements provide details on extensions of coverage, limitations of coverage, and coverage conditions and exclusions. The amount of any claim payment made to you will be reduced by any applicable deductibles shown on your policy declarations page. It is important to take the time to consider whether the limits and limitations of your policy meet your needs. Contact your agent, broker, or insurance company if you have questions about what is covered or if you want to discuss your coverage options.

INFORMATION YOU SHOULD KNOW ABOUT RESIDENTIAL DWELLING INSURANCE

AVOID BEING UNDERINSURED: Insuring your home for less than its replacement cost may result in your having to pay thousands of dollars out of your own pocket to rebuild your home if it is completely destroyed. Contact your agent, broker, or insurance company immediately if you believe your policy limits may be inadequate.

THE RESIDENTIAL DWELLING COVERAGE LIMIT: The coverage limit on the dwelling structure should be high enough so you can rebuild your home if it is completely destroyed. Please note:

- The cost to rebuild your home is almost always different from the market value.
- Dwelling coverage limits do not cover the value of your land.
- The estimate to rebuild your home should be based on construction costs in your area and should be adjusted to account for the features of your home. These features include, but are not limited to, the square footage, type of foundation, number of stories, and the quality of the materials used for items such as flooring, countertops, windows, cabinetry, lighting, and plumbing.
- The cost to rebuild your home should be adjusted each year to account for inflation.
- Coverage limits for contents, separate structures, additional living expenses, and debris removal are usually based on a percentage of the limit for the dwelling. If your dwelling limit is too low, these coverage limits may also be too low.

You are encouraged to obtain a current estimate of the cost to rebuild your home from your insurance agent, broker, or insurance company or an independent appraisal from a local contractor, architect, or real estate appraiser. If you do obtain an estimate of replacement value and wish to change your policy limits, contact your insurance company. While not a guarantee, a current estimate can help protect you against being underinsured.

DEMAND SURGE: After a widespread disaster, the cost of construction can increase dramatically as a result of the unusually high demand for contractors, building supplies, and construction labor. This effect is known as demand surge. Demand surge can increase the cost of rebuilding your home. Consider increasing your coverage limits or purchasing Extended Replacement Cost coverage to prepare for this possibility.

CHANGES TO PROPERTY: Changes to your property may increase its replacement cost. These changes may include the building of additions, customizing your kitchen or bathrooms, or otherwise remodeling your home. Failure to advise your insurance company of any significant changes to your property may result in your home being underinsured.

EXCLUSIONS: Not all causes of damage are covered by common homeowners or residential fire policies. You need to read your policy to see what causes of loss or perils are not covered. Coverage for landslide is typically excluded. Some excluded perils such as earthquake or flood can be purchased as an endorsement to your policy or as a separate policy. Contact your agent, broker, or insurance company if you have a concern about any of the exclusions in your policy.

CONTENTS (PERSONAL PROPERTY) COVERAGE DISCLOSURE: This disclosure form does not explain the types of contents coverage provided by your policy for items such as your furniture or clothing. Contents may be covered on either an actual cash value or replacement cost basis depending on the contract. Almost all policies include specific dollar limitations on certain property that is particularly valuable, such as jewelry, art, or silverware. Contact your agent, broker, or insurance company if you have any questions about your contents coverage. You should create a list of all personal property in and around your home. Pictures and video recordings also help you document your property. The list, photos, and video should be stored away from your home.

CONSUMER ASSISTANCE: If you have any concerns or questions, contact your agent, broker, or insurance company. You are also encouraged to contact the California Department of Insurance consumer information line at (800) 927-HELP (4357) or at www.insurance.ca.gov for free insurance assistance."

(b) The agent or insurer shall indicate on the disclosure form which coverages the applicant or insured has selected or purchased.

(c) The disclosure statement may contain additional provisions not conflicting with, annulling, or detracting from the foregoing.

(d) Following the issuance of the policy of residential property insurance, the insurer shall provide the disclosure statement to the insured on an every-other-year basis at the time of renewal. The disclosure required by this section may be transmitted with the material required by Section 10086.1.

(e) A policy of residential property insurance shall not be initially issued as guaranteed replacement cost coverage if it contains any maximum limitation of coverage based on any set dollar limits, percentage amounts, construction cost limits, indexing, or any other preset maximum limitation for covered damage to the insured dwelling. The limitations referred to in this section are solely applicable to dwelling structure coverages. Endorsements covering additional risks to the insurer's dwelling structure coverage may have internal limits as long as those endorsements are not called guaranteed replacement cost coverage.

(f) A policy of residential property insurance shall not be renewed as guaranteed replacement cost coverage if it contains any maximum limitation of coverage based on any set dollar limits, percentage amounts, construction cost limits, indexing, or any other preset maximum limitation for covered damage to the insured dwelling. The limitations referred to in this section are solely applicable to dwelling structure coverages. Endorsements covering additional risks to the insurer's dwelling structure coverage may have internal limits as long as those endorsements are not called guaranteed replacement cost coverage.

(g) Coverage provided for building code upgrades by a policy of residential property insurance shall be applicable to building codes, ordinances, standards, or laws only to the extent that those codes, ordinances, standards, or laws do not impose stricter standards on the property on the basis of the level of insurance coverage applicable to the property.

(h) The disclosure required by Section 10101 shall also be provided to the mortgagor in the event that a policy is forced placed by an insurer at the request of a mortgagee. In those cases, neither the insurer nor the mortgagee shall be required to obtain a signature from the mortgagor. A disclosure shall not be required to be provided with respect to blanket policies issued to a mortgagee, and designed to provide interim coverage for losses occurring before the mortgagee has knowledge of the lapse of the policy and before placement of a policy on behalf of the mortgagor.

(i) A disclosure required by Section 10101 that is provided on and after January 1, 2020, shall include any fire safety-related discounts offered by the insurer.

SEC. 3. Section 10103 of the Insurance Code is amended to read:

10103. (a) A policy of residential property insurance shall not be issued or renewed in this state unless it provides the following information on the declarations page of the policy:

(1) The limits of liability for the structure.

(2) The following statement regarding the valuation of the structure:

"The limit of liability for this structure (Coverage A) is based on an estimate of the cost to rebuild your home, including an approximate cost for labor and materials in your area, and specific information that you have provided about your home."

(3) Limits of liability for personal property.

(4) Deductibles.

(5) For a residential property insurance policy that provides replacement cost coverage, a statement that the policy provides building code upgrade coverage for the increased costs of repairing or replacing damage to the insured dwelling caused by a covered loss because of building ordinances or laws regulating the repair or replacement. Building code upgrade coverage is provided based on the increased costs associated with building ordinances or laws in effect at the time of loss or rebuilding, up to policy limits for this coverage. The policy may denote restrictions, if any, on coverage for compliance with applicable building codes that take effect after the date of loss, but before the issuance of required building permits.

(b) If the policy includes building code upgrade coverage, it shall do both of the following:

(1) State it includes building code upgrade coverage on the declaration page in no less than 10-point type, state any applicable limits on the amount of coverage, and, if the policy contains other terms, conditions, or restrictions for coverage, disclose on the

declarations page that those terms, conditions, or restrictions are identified on a separate disclosure form attached to the declarations page.

(2) If the building code upgrade coverage is subject to any terms, limits, conditions, or restrictions, state the terms, limits, conditions, or restrictions on a separate disclosure form attached to the declarations page. The separate disclosure form shall be printed in no less than 10-point type.

(c) An open policy of residential property insurance that provides replacement cost coverage shall not be issued or renewed unless it provides additional building code upgrade coverage of no less than 10 percent of the dwelling coverage policy limits. The building code upgrade coverage required by this subdivision shall be additional coverage, and use of this coverage shall not reduce or deplete the dwelling coverage policy limits for the insured property. This subdivision does not prohibit an insurer from offering building code upgrade coverage of greater than 10 percent of the dwelling coverage policy limits, in addition to providing the minimum coverage of 10 percent of the dwelling coverage policy limits.

(d) The provisions of paragraphs (1), (2), and (5) of subdivision (a), subdivision (b), and subdivision (c) are not required for policies purchased by tenants or unit owners that do not cover the structure of the premises.

(e) (1) The requirements of paragraph (5) of subdivision (a), subdivision (b), and subdivision (c) do not apply to a policy of residential property insurance that provides actual cash value coverage and does not provide replacement cost coverage or building code upgrade coverage.

(2) The requirements of subdivision (c) do not apply to a policy of residential property insurance that is an apartment policy, a tenant's policy, a renter's policy, a mobilehome policy, or a policy insuring individually owned condominium units, if the policy of residential property insurance does not provide dwelling structure coverage. The requirements of subdivision (c) also do not apply to a policy covering all or part of a commercial or farm operation, including a policy covering a structure or dwelling unit on commercial or farm property, regardless of whether the structure or dwelling unit is owner occupied or rented for individual residential purposes.

(3) A policy of residential property insurance that does not provide building code upgrade coverage shall include on the declarations page of the policy in no less than 10-point type the following statement: "THIS POLICY DOES NOT INCLUDE BUILDING CODE UPGRADE COVERAGE."

(f) The amendments to this section made by the act adding this subdivision shall be operative for any policy issued or renewed on or after July 1, 2021, except that an insurer that files a complete rate application, including, without limitation, a form change application or rule filing, by no later than April 1, 2021, in order to comply with the provisions of this act, shall begin issuing and renewing policies in compliance with this section within 75 days following the commissioner's prior approval of that complete rate application, including, without limitation, a form change application or rule filing.

SEC. 4. Section 10103.6 is added to the Insurance Code, to read:

10103.6. (a) If an insurer issues a new residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall, on or before the date of issuance of the policy, obtain a signed acknowledgment from the applicant or insured stating that the newly issued policy does not provide coverage for the peril of fire. If the applicant or insured does not sign the required acknowledgment on or before the issuance of the policy, the insurer shall obtain the signed acknowledgment from the applicant or insured within 60 days of the date of issuance of the policy. For purposes of this subdivision, a new or newly issued policy does not include renewal of an existing policy, including a renewal that contains different terms than the preceding policy periods.

(b) If an insurer issues or renews a residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall prominently disclose both of the following on the declarations page of the policy:

(1) The following statement in bold, uppercase letters in no less than 12-point type:

THIS POLICY DOES NOT COVER THE PERIL OF FIRE. THERE ARE OTHER RESOURCES FOR FINDING FIRE COVERAGE, INCLUDING USING THE CALIFORNIA DEPARTMENT OF INSURANCE'S HOME INSURANCE FINDER OR PURCHASING COVERAGE FROM THE CALIFORNIA FAIR PLAN ASSOCIATION.

(2) Information on the California FAIR Plan, as required by subdivision (h) of Section 10095, and the information on the California Home Insurance Finder, as required by subdivision (b) of Section 10095.7.

SEC. 5. The provisions of this act are severable. If any provision of this act 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. 6. Section 1.5 of this bill incorporates amendments to Section 678 of the Insurance Code proposed by both this bill and Assembly Bill 3012. That section shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2021, (2) each bill amends Section 678 of the Insurance Code, and (3) this bill is enacted after Assembly Bill 3012, in which case Section 1 of this bill shall not become operative.