

AMENDED IN ASSEMBLY MAY 11, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 2022

Introduced by Assembly Member Gaines

February 17, 2010

An act to amend, *repeal*, and *add* Sections 10102 and 10103.5 of the Insurance Code, relating to property insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2022, as amended, Gaines. Property insurance: residential disclosure.

Existing law requires that residential property insurance policies do not become effective unless the named insured is provided with a copy of the California Residential Property Insurance Disclosure which sets forth a description of types of coverage, such as actual cash value coverage, guaranteed replacement cost coverage, and related 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, *on July 1, 2011*, revise the mandatory language of the California Residential Property Insurance Disclosure to simplify and rearrange the description of types of coverage, and to include additional information concerning insurance limits. It would also revise and simplify the California Residential Property Insurance Bill of Rights. ~~It would require both disclosures to be in at least 12-point type.~~

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10102 of the Insurance Code is amended
2 to read:

3 10102. (a) The disclosure required by Section 10101 shall be
4 in no less than 10-point typeface and shall be provided prior to or
5 concurrent with, the application for a policy of residential property
6 insurance. In the event that an application is made by telephone,
7 an insurer that mails a copy of the disclosure within three business
8 days shall be in compliance with this section. For policies issued
9 on or after July 1, 1993, the agent or insurer shall obtain the
10 applicant’s signature acknowledging receipt of the disclosure form
11 within 60 days of the date of the application. When the insurer or
12 agent establishes delivery of the disclosure form by obtaining the
13 signature of the applicant or insured, or when an insurer or agent
14 provides the applicant with the disclosure form and the applicant
15 does not return a signed acknowledgment of receipt within 60 days
16 of the date it was provided, there shall be a conclusive presumption
17 that the insurer or agent has complied with the disclosure
18 requirement of this chapter. The insurer or agent shall have the
19 burden of demonstrating in accordance with California Rules of
20 Evidence that the disclosure was provided to the applicant or
21 insured. A signature shall not be required at the time of renewal.

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

29 The disclosure shall contain the following language:

30

31 CALIFORNIA RESIDENTIAL PROPERTY INSURANCE
32 DISCLOSURE

33

34 This disclosure is required by California law (Section 10102 of
35 the Insurance Code). It describes the principal forms of insurance
36 coverage in California for residential dwellings. It also identifies
37 the form of dwelling coverage you have purchased or selected.

1 This disclosure form contains only a general description of
2 coverages and is not part of your residential property insurance
3 policy. Only the specific provisions of your policy will determine
4 whether a particular loss is covered and, if so, the amount payable.
5 Regardless of which type of coverage you purchase, your policy
6 may exclude or limit certain risks.

7 **READ YOUR POLICY CAREFULLY.** If you do not understand
8 any part of it or have questions about what it covers, contact your
9 insurance agent or company. You may also call the California
10 Department of Insurance consumer information line at:
11 1-800-927-4357.

12 The cost to rebuild your home may be very different from the
13 market value of your home since reconstruction is based primarily
14 on the cost of labor and materials. Many factors can affect the cost
15 to rebuild your home, including the size of your home, the type of
16 construction, and any unique features. Please review the following
17 coverages carefully. If you have questions regarding the level of
18 coverage in your policy, please contact your insurance agent or
19 company. Additional coverage may be available for an additional
20 premium.

FORMS OF COVERAGE FOR DWELLINGS	Dwelling Coverage selected or purchased
<p><u>GUARANTEED REPLACEMENT COST COVERAGE WITH FULL BUILDING CODE UPGRADE</u> PAYS REPLACEMENT COSTS WITHOUT REGARD TO POLICY LIMITS, AND INCLUDES COSTS RESULTING FROM CODE CHANGES.</p> <p>In the event of any covered loss to your home, the insurance company will pay the full amount needed to repair or replace the damaged or destroyed dwelling with like or equivalent construction <u>regardless of policy limits. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover guaranteed replacement cost.</u> The amount of recovery will be reduced by any deductible you have agreed to pay.</p> <p>This coverage includes all additional costs of repairing or replacing your damaged or destroyed dwelling to comply with any new building standards (such as building codes or zoning laws) required by government agencies and in effect at the time of rebuilding.</p> <p>To be eligible to recover full guaranteed replacement costs with building code upgrade, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation and increases in building costs; you must permit inspections of the dwelling by the insurance company; and you must notify the insurance company about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).</p>	
<p><u>GUARANTEED REPLACEMENT COST COVERAGE WITH LIMITED OR NO BUILDING CODE UPGRADE</u> PAYS REPLACEMENT COSTS WITHOUT REGARD TO POLICY LIMITS BUT LIMITS OR EXCLUDES COSTS RESULTING FROM CODE CHANGES.</p> <p>In the event of any covered loss to your home, the insurance company will pay the full amount needed to repair or replace the damaged or destroyed dwelling with like or equivalent construction <u>regardless of policy limits. Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover guaranteed replacement cost.</u> The amount of recovery will be reduced by any deductible you have agreed to pay.</p> <p>This coverage does <u>not</u> include all additional costs of repairing or replacing your damaged or destroyed dwelling to comply with any new building standards (such as building codes or zoning laws) required by government agencies and in effect at the time of rebuilding. Consult your policy for the applicable exclusions or limits with respect to these costs.</p> <p>To be eligible to recover full guaranteed replacement cost with limited or no building code upgrade, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation and increases in building costs; you must permit an inspection of the dwelling by the insurance company; and you must notify the insurance company about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount).</p>	
<p><u>LIMITED REPLACEMENT COST COVERAGE WITH AN ADDITIONAL PERCENTAGE</u> PAYS REPLACEMENT COSTS UP TO A SPECIFIED AMOUNT ABOVE THE POLICY LIMIT.</p> <p>In the event of any covered loss to your home, the insurance company will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction <u>up to a specified percentage over the policy's limits.</u> See the</p>	

FORMS OF COVERAGE FOR DWELLINGS	Dwelling Coverage selected or purchased
<p>declarations page of your policy for the limit that applies to your dwelling. <u>Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover this benefit.</u> The amount of recovery will be reduced by any deductible you have agreed to pay.</p> <p>To be eligible for this coverage, you must insure the dwelling to its full replacement cost at the time the policy is issued, with possible periodic increases in the amount of coverage to adjust for inflation; you must permit an inspection of the dwelling by the insurance company; and you must notify the insurance company about any alterations that increase the value of the insured dwelling by a certain amount (see your policy for that amount). Read your declaration page to determine whether your policy includes coverage for building code upgrades.</p>	
<p><u>LIMITED REPLACEMENT COST COVERAGE WITH NO ADDITIONAL PERCENTAGE PAYS REPLACEMENT COSTS UP TO POLICY LIMITS ONLY.</u></p> <p>In the event of any covered loss to your home, the insurance company will pay to repair or replace the damaged or destroyed dwelling with like or equivalent construction <u>only up to the policy’s limit.</u> See the declarations page of your policy for the limit that applies to your dwelling. <u>Your policy will specify whether you must actually repair or replace the damaged or destroyed dwelling in order to recover this benefit.</u> The amount of recovery will be reduced by any deductible you have agreed to pay. To be eligible to recover this benefit, you must insure the dwelling to [company shall denote percentage] [] percent of its replacement cost at the time of loss. Read your declaration page to determine whether your policy includes coverage for building code upgrades.</p>	
<p><u>ACTUAL CASH VALUE COVERAGE PAYS THE FAIR MARKET VALUE OF THE DWELLING AT THE TIME OF THE LOSS, OR THE COST TO REPAIR, REBUILD, OR REPLACE THE DAMAGED OR DESTROYED DWELLING WITH LIKE KIND AND QUALITY CONSTRUCTION, UP TO THE POLICY LIMIT.</u></p> <p>In the event of any covered loss to your home, the insurance company will pay either the fair market value of the damaged or destroyed dwelling (excluding the value of land) at the time of the loss or the cost to repair, rebuild, or replace the damaged or destroyed dwelling with like kind and quality construction <u>up to the policy limit, with possible consideration of physical depreciation.</u> The amount of recovery will be reduced by any deductible you have agreed to pay. Read your declaration page to determine whether your policy includes coverage for building code upgrades.</p>	
<p><u>BUILDING CODE UPGRADE—ORDINANCE AND LAW COVERAGE PAYS, UP TO LIMITS SPECIFIED IN YOUR POLICY, ADDITIONAL COSTS REQUIRED TO BRING THE DWELLING “UP TO CODE.”</u></p> <p>In the event of any covered loss, the insurance company will pay any additional costs, up to the stated limits, of repairing or replacing a damaged or destroyed dwelling to conform with any building standards such as building codes or zoning laws required by government agencies and in effect at the time of the loss or rebuilding (see your policy).</p>	

1 (b) The agent or insurer shall indicate on the disclosure form
2 which category of coverage the applicant or insured has selected
3 or purchased.

4 (c) The disclosure statement may contain additional provisions
5 not in conflict with or in derogation of the foregoing.

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

11 (e) No policy of residential property insurance may be initially
12 issued on and after January 1, 1993, as guaranteed replacement
13 cost coverage if it contains any maximum limitation of coverage
14 based on any set dollar limits, percentage amounts, construction
15 cost limits, indexing, or any other preset maximum limitation for
16 covered damage to the insured dwelling. The limitations referred
17 to in this section are solely applicable to dwelling structure
18 coverages. Endorsements covering additional risks to the insurer's
19 dwelling structure coverage may have internal limits as long as
20 those endorsements are not called guaranteed replacement cost
21 coverage.

22 (f) On and after July 1, 1993, no policy of residential property
23 insurance may be renewed as guaranteed replacement cost coverage
24 if it contains any maximum limitation of coverage based on any
25 set dollar limits, percentage amounts, construction cost limits,
26 indexing, or any other preset maximum limitation for covered
27 damage to the insured dwelling. The limitations referred to in this
28 section are solely applicable to dwelling structure coverages.
29 Endorsements covering additional risks to the insurer's dwelling
30 structure coverage may have internal limits as long as those
31 endorsements are not called guaranteed replacement cost coverage.

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

38 (h) The disclosure required by Section 10101 shall also be
39 provided to the mortgagor in the event that a policy is forced placed
40 by an insurer at the request of a mortgagee. In such cases, neither

1 the insurer nor the mortgagee shall be required to obtain a signature
2 from the mortgagor. No disclosure shall be required to be provided
3 with respect to blanket policies issued to a mortgagee, and designed
4 to provide interim coverage for losses occurring prior to the
5 mortgagee obtaining knowledge of the lapse of the policy and prior
6 to placement of a policy on behalf of the mortgagor.

7 (i) On and after July 1, 1994, insurers shall add to the disclosure,
8 in no less than 10-point type the following statement:

9 This disclosure form does not explain the types of contents
10 coverage (furniture, clothing, etc.) provided by your policy. Some
11 policies do not replace contents with new items, but instead, only
12 pay for the current market value of an item. If you have any
13 questions, contact your insurer or agent.

14 (j) No later than December 1, 2005, the commissioner shall
15 report to the Governor and the Legislature on the status of the
16 issues regarding residential property insurance and the effectiveness
17 of the California Residential Property Insurance Disclosure.

18 (k) *This section shall remain in effect only until July 1, 2011,*
19 *and as of that date is repealed, unless a later enacted statute, that*
20 *is enacted before July 1, 2011, deletes or extends that date.*

21 ~~SECTION 1. Section 10102 of the Insurance Code is amended~~
22 ~~to read:~~

23 ~~10102.~~

24 *SEC. 2. Section 10102 is added to the Insurance Code, to read:*

25 *10102.* (a) The disclosure required by Section 10101 shall be
26 in no less than 10-point typeface and shall be provided prior to or
27 concurrent with, the application for a policy of residential property
28 insurance. In the event that an application is made by telephone,
29 an insurer that mails a copy of the disclosure within three business
30 days shall be in compliance with this section. For policies issued
31 on or after July 1, 1993, the agent or insurer shall obtain the
32 applicant's signature acknowledging receipt of the disclosure form
33 within 60 days of the date of the application. When the insurer or
34 agent establishes delivery of the disclosure form by obtaining the
35 signature of the applicant or insured, or when an insurer or agent
36 provides the applicant with the disclosure form and the applicant
37 does not return a signed acknowledgment of receipt within 60 days
38 of the date it was provided, there shall be a conclusive presumption
39 that the insurer or agent has complied with the disclosure
40 requirement of this chapter. The insurer or agent shall have the

1 burden of demonstrating in accordance with California Rules of
2 Evidence that the disclosure was provided to the applicant or
3 insured. A signature shall not be required at the time of renewal.

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

11 The disclosure shall contain the following language ~~in no less~~
12 ~~than 12-point type~~:

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. The information provided is not a complete summary and 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** covers the cost to repair or replace the damaged dwelling minus a deduction for physical depreciation. If the dwelling is completely destroyed, this coverage pays for the fair market value of the dwelling at time of loss. Coverage is provided only up to the dwelling limits shown on the policy declarations page.~~

~~_____ **REPLACEMENT COST COVERAGE** covers the cost to repair or replace the damaged or destroyed dwelling, without a deduction for physical depreciation. Since coverage is provided only up to the dwelling limits shown on the policy declarations page, it is not a guarantee that you will be covered for the full replacement cost of your home.~~

~~_____ **EXTENDED REPLACEMENT COST COVERAGE** covers the cost to repair or replace the damaged or destroyed dwelling. Coverage is provided only up to the specified percentage above the dwelling limits shown on the policy declarations page. If the dwelling is completely destroyed, extended coverage can protect you from being underinsured.~~

~~_____ **GUARANTEED REPLACEMENT COST** covers the full cost to repair or replace the damaged or destroyed dwelling regardless of the dwelling limits shown on the policy declarations page.~~

~~_____ **BUILDING CODE UPGRADE COVERAGE**, also called Ordinance and Law coverage, covers the additional costs, up to the limits stated in the policy, of repairing or replacing a damaged or destroyed dwelling to comply with building codes or zoning laws that are in effect at the time of loss or rebuilding. Building code requirements can add significant costs to rebuilding your home.~~

READ YOUR POLICY AND POLICY DECLARATIONS PAGE CAREFULLY: *The Declarations Page shows the specific coverage limits you have purchased for your dwelling, personal property, additional living expenses and any other enhanced coverages. The amount of any payment made to you because of a claim you file will be reduced by any deductible shown on your policy declarations page. Contact your agent, broker, or insurance company if you are not sure whether you have the right level of coverage, or if you have any questions about what is covered,*

Things You Should Know About Residential Dwelling Insurance

AVOID BEING UNDERINSURED: Insuring your home for less than its replacement value may result in your having to pay thousands of dollars out of your own pocket to rebuild your home if it is completely destroyed.

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. To determine the appropriate coverage limit, remember:

- The cost to rebuild your home is almost always very different from the market value.
- Dwelling coverage does not cover the value of your land.
- The estimated amount to rebuild your home should be based on construction costs in your area and should consider the important features of your home. These features include the square footage, type of foundation, number of stories, and the quality of the materials used.

You are encouraged to obtain an estimate of the cost to replace your home from your agent or broker, insurance company, a contractor, architect, or real estate appraiser. If you do obtain an estimate of replacement value, and wish to change your Policy Limits, submit it to the insurance company for review.

DEMAND SURGE: After a widespread disaster, the cost of construction can increase dramatically because of the unusually high demand for contractors, building supplies and construction labor. This effect is known as demand surge. Typically, replacement cost estimates do not include a consideration for demand surge. Consider increasing your coverage limits, or purchasing Extended Replacement Cost coverage to prepare for this possibility.

CHANGES TO PROPERTY: Any 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.

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. Some policies pay only the market value of an item, not the amount needed to replace it with a new item. Contact your agent, broker or insurer if you have any questions about your contents coverage. You should also maintain a list of all personal property in and around your home. Pictures and video recordings also help you document your property. The list, photos, or video should be stored away from your home.

OTHER COVERAGE LIMITS: Residential property insurance policies contain separate limits on the amounts that will be paid for personal property, additional living expenses, other structures such as garages or storage buildings, and debris removal. Also, most policies include special limitations on certain property that is particularly valuable, such as jewelry, art, watercraft, antiques, or valuable collections. Each of these limits of coverage should be evaluated to determine if your coverage still meets your needs.

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.

“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** pays the costs to repair the damaged dwelling minus a deduction for physical depreciation. If the dwelling is completely destroyed, this coverage pays the fair market value of the dwelling at time of loss. In either case, coverage only pays for costs up to the limits specified in your policy.

_____ **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, is an important option that 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 the 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.”

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

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

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

10 (e) No policy of residential property insurance may be initially
11 issued on and after January 1, 1993, as guaranteed replacement
12 cost coverage if it contains any maximum limitation of coverage
13 based on any set dollar limits, percentage amounts, construction
14 cost limits, indexing, or any other preset maximum limitation for
15 covered damage to the insured dwelling. The limitations referred
16 to in this section are solely applicable to dwelling structure
17 coverages. Endorsements covering additional risks to the insurer's
18 dwelling structure coverage may have internal limits as long as
19 those endorsements are not called guaranteed replacement cost
20 coverage.

21 (f) On and after July 1, 1993, no policy of residential property
22 insurance may be renewed as guaranteed replacement cost coverage
23 if it contains any maximum limitation of coverage based on any
24 set dollar limits, percentage amounts, construction cost limits,
25 indexing, or any other preset maximum limitation for covered
26 damage to the insured dwelling. The limitations referred to in this
27 section are solely applicable to dwelling structure coverages.
28 Endorsements covering additional risks to the insurer's dwelling
29 structure coverage may have internal limits as long as those
30 endorsements are not called guaranteed replacement cost coverage.

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

37 (h) The disclosure required by Section 10101 shall also be
38 provided to the mortgagor in the event that a policy is forced placed
39 by an insurer at the request of a mortgagee. In those cases, neither
40 the insurer nor the mortgagee shall be required to obtain a signature

1 from the mortgagor. No disclosure shall be required to be provided
2 with respect to blanket policies issued to a mortgagee, and designed
3 to provide interim coverage for losses occurring prior to the
4 mortgagee obtaining knowledge of the lapse of the policy and prior
5 to placement of a policy on behalf of the mortgagor.

6 (i) *This section shall become operative on July 1, 2011.*

7 SEC. 3. Section 10103.5 of the Insurance Code is amended to
8 read:

9 10103.5. (a) Every California Residential Property Insurance
10 Disclosure shall be accompanied by a California Residential
11 Property Insurance Bill of Rights. If the insurer provides the
12 insured with an electronic copy of a policy, the bill of rights may
13 also be transmitted electronically.

14 (b) The California Residential Property Insurance Bill of Rights
15 shall be plainly printed in no less than 10-point type. The bill of
16 rights shall contain the following:

17 “California Residential Property Insurance Bill of Rights
18
19 The largest single investment most consumers make is their home
20 and related property. In order to best protect these assets, it is wise
21 for consumers to understand the homeowner’s insurance market.
22 Consumers should consider the following:

23
24 Read your policy carefully and understand the coverage and
25 limits provided. Homeowner’s insurance policies contain
26 sublimits for various coverages such as personal property,
27 debris removal, additional living expense, detached fences,
28 garages, etc.

29 Keep accurate records of renovations and improvements to
30 the structure of your home, as it could affect your need to
31 increase your coverage.

32 Maintaining a list of all personal property, pictures, and
33 video equipment may help in the case of a loss. The list should
34 be stored away from your home.

35 Comparison shop for insurance, as not all policies are the
36 same and coverage and prices vary.

37 Take time to determine the cost to rebuild or replace your
38 property in today’s market. You can seek an independent
39 evaluation of this cost.

1 You may select a licensed contractor or vendor to repair,
2 replace, or rebuild damaged property covered by the insurance
3 policy.

4 An agent or insurance company may help you establish
5 policy limits that are adequate to rebuild your home.

6 Once the policy is in force, contact your agent or insurance
7 company immediately if you believe your policy limits may
8 be inadequate.

9 A consumer is entitled to receive information regarding
10 homeowner’s insurance. The following is a limited overview of
11 information that your insurance company can provide:

12 The California Residential Property Insurance Disclosure.

13 An explanation of how your policy limits were established.

14 The insurance company’s customer service telephone number
15 for underwriting, rating, and claims inquiries.

16 An explanation for any cancellation or nonrenewal of your
17 policy.

18 A copy of your policy.

19 The toll-free telephone number and Internet address for
20 reporting complaints and concerns about homeowner’s
21 insurance issues to the department’s consumer services unit.

22 In the event of a claim, an itemized, written scope of loss
23 report prepared by the insurer or its adjuster within a
24 reasonable time period.

25 In the event of a claim, notification of a consumer’s rights
26 with respect to the appraisal process for resolving claims
27 disputes.

28 In the event of a claim, a copy of the Unfair Practices Act
29 and a copy of the Fair Claims Practices Regulations.

30 The information provided herein is not all inclusive and does not
31 negate or preempt existing California law. If you have any concerns
32 or questions, the officers at our Consumer Hotline are there to help
33 you. Please call them at 1-800-927-HELP (4357) or contact us at
34 www.insurance.ca.gov.”

35
36 (c) (1) The bill of rights shall be distributed by all insurers
37 licensed to sell residential property insurance in this state.

38 (2) (A) If the insurer under a personal lines residential property
39 insurance policy reports claims history or loss experience of
40 insureds under those policies to an insurance-support organization,

1 the insurer shall include the following disclosure in the California
2 Residential Property Insurance Bill of Rights:

3
4 “This insurer reports claim information to one or more claims
5 information databases. The claim information is used to furnish
6 loss history reports to insurers. If you are interested in obtaining
7 a report from a claims information database, you may do so by
8 contacting:

9 (Insert the name, toll-free telephone number, and, if applicable,
10 Internet Web site address of each claims information database to
11 which the insurer reports the information covered by this section)”

12
13 (B) This paragraph shall become operative on July 1, 2006.

14 (d) *This section shall remain in effect only until July 1, 2011,*
15 *and as of that date is repealed, unless a later enacted statute, that*
16 *is enacted before July 1, 2011, deletes or extends that date.*

17 ~~SEC. 2. Section 10103.5 of the Insurance Code is amended to~~
18 ~~read:~~

19 ~~10103.5.~~

20 ~~SEC. 4. Section 10103.5 is added to the Insurance Code, to~~
21 ~~read:~~

22 ~~10103.5. (a) Every California Residential Property Insurance~~
23 ~~Disclosure shall be accompanied by a California Residential~~
24 ~~Property Insurance Bill of Rights. If the insurer provides the~~
25 ~~insured with an electronic copy of a policy, the bill of rights may~~
26 ~~also be transmitted electronically.~~

27 (b) The California Residential Property Insurance Bill of Rights
28 shall be plainly prepared in no less than ~~12-point~~ 10-point type.
29 The Bill of Rights shall contain the following:

30
31 ~~“California Residential Property Insurance Bill of Rights~~

32
33 ~~INSURANCE COMPANY RESPONSIBILITIES:~~

34 ~~As a Residential Property Insurance policyholder, you have the right to:~~

- 35 ~~• The insurance company’s customer service telephone number for~~
- 36 ~~underwriting, rating, and claims inquiries.~~
- 37 ~~• A written explanation for any cancellation or nonrenewal of your policy.~~
- 38 ~~• A copy of the insurance policy.~~
- 39 ~~• An explanation of how your policy limits were established.~~

- 1 • ~~In the event of a claim, an itemized, written scope of loss report prepared~~
- 2 ~~by the insurer or its adjuster within a reasonable time period.~~
- 3 • ~~In the event of a claim, a copy of the Unfair Practices Act and a copy of~~
- 4 ~~the Fair Claims Settlement Practices Regulations.~~
- 5 • ~~Select a licensed contractor or vendor to repair, replace, or rebuild damaged~~
- 6 ~~property covered by the insurance policy.~~
- 7 • ~~In the event of a claim, notification of a consumer’s rights with respect to~~
- 8 ~~the appraisal process for resolving claims disputes.~~
- 9 • ~~An offer of coverage and premium quote for earthquake coverage.~~

10
 11 ~~The information provided therein is not all inclusive and does not negate or~~
 12 ~~preempt existing California law.”~~

13
 14 *“California Residential Property Insurance Bill of Rights*

15
 16 *A consumer is entitled to receive information regarding homeowner’s*
 17 *insurance. The following is a limited overview of information that your*
 18 *insurance company can provide:*

- 19 • *The insurance company’s customer service telephone number for*
- 20 *underwriting, rating, and claims inquiries.*
- 21 • *A written explanation for any cancellation or nonrenewal of your policy.*
- 22 • *A copy of the insurance policy.*
- 23 • *An explanation of how your policy limits were established.*
- 24 • *In the event of a claim, an itemized, written scope of loss report prepared*
- 25 *by the insurer or its adjuster within a reasonable time period.*
- 26 • *In the event of a claim, a copy of the Unfair Practices Act and, if requested,*
- 27 *a copy of the Fair Claims Settlement Practices Regulations.*
- 28 • *In the event of a claim, notification of a consumer’s rights with respect to*
- 29 *the appraisal process for resolving claims disputes.*
- 30 • *An offer of coverage and premium quote for earthquake coverage, if eligible.*

31
 32
 33 *A consumer is also entitled to select a licensed contractor or vendor to repair,*
 34 *replace, or rebuild damaged property covered by the insurance policy.*

35
 36 *The information provided herein is not all inclusive and does not negate or*
 37 *preempt existing California law. If you have any concerns or questions, contact*
 38 *your agent, broker, insurance company, or the California Department of*
 39 *Insurance consumer information line at (800) 927-HELP (4357) or at*
 40 *www.insurance.ca.gov for free insurance assistance.”*

1 (c) (1) The bill of rights shall be distributed by all insurers
2 licensed to sell residential property insurance in this state.

3 (2) If the insurer under a personal lines residential property
4 insurance policy reports claims history or loss experience of
5 insureds under those policies to an insurance-support organization,
6 the insurer shall include the following disclosure in the California
7 Residential Property Insurance Bill of Rights:

8 “This insurer reports claim information to one or more claims
9 information databases. The claim information is used to furnish
10 loss history reports to insurers. If you are interested in obtaining
11 a report from a claims information database, you may do so by
12 contacting:

13 (Insert the name, toll-free telephone number, and, if applicable,
14 Internet Web site address of each claims information database to
15 which the insurer reports the information covered by this section)”

16
17 (d) *This section shall become operative on July 1, 2011.*

18
19 _____

20 **CORRECTIONS:**
21 **Text—Pages 9, 10, and 12.**

22 _____