

Introduced by Senator Vargas

February 23, 2012

An act to amend Section 10089 of the Insurance Code, relating to earthquake insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1262, as introduced, Vargas. Earthquake insurance: coverage.

Existing law requires that an earthquake insurer offer specified minimum coverage for loss or damage caused by an earthquake that includes, but is not limited to, contents coverage either in an amount not less than 10% of the amount of the covered dwelling loss, or in an amount not less than \$5,000, provided that if the underlying policy of residential property insurance does not cover structural loss, the amount of contents coverage after deductible is not less than \$5,000.

This bill would make technical, nonsubstantive changes to those provisions.

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 10089 of the Insurance Code is amended
- 2 to read:
- 3 10089. (a) At a minimum, an offer of coverage of loss or
- 4 damage caused by the peril of earthquake pursuant to Section
- 5 10081 shall include *all of* the following coverages: (1) dwelling,
- 6 not including outbuildings, appurtenant structures, swimming
- 7 pools, masonry fences, and walls not necessary for the structural
- 8 integrity of the dwelling, walkways and patios not necessary for

1 regular ingress or egress from the dwelling, awnings or other patio
2 coverings, decorative, or artistic features including plaster if other
3 covering would be more cost-effective, landscaping, or masonry
4 chimneys, provided that the policy covers replacement of a
5 damaged masonry chimney with a nonmasonry, earthquake
6 resistant chimney. An insurer that provides earthquake coverage
7 for the dwelling that is narrower than coverage provided under the
8 policy of residential property insurance shall, upon approval of
9 the commissioner, establish the premium for the earthquake
10 coverage in a manner that reflects the exclusion of those items not
11 covered by the earthquake policy, rider, or endorsement; (2)
12 contents coverage either in an amount not less than 10 percent of
13 the amount of the covered dwelling loss, or in an amount not less
14 than five thousand dollars (\$5,000), provided that if the underlying
15 policy of residential property insurance does not cover structural
16 loss, the amount of contents coverage after deductible shall be not
17 less than five thousand dollars (\$5,000). The insurer shall elect at
18 the time the insurer files its rate application with the commissioner
19 which of the two contents coverages it will use to satisfy the
20 requirements of this chapter. Upon election, the option shall be
21 required to be offered to every policyholder who receives an offer
22 of earthquake coverage pursuant to this chapter. In the case of
23 either coverage, the insurer may exclude from coverage glassware,
24 china, porcelain, or ceramic items, artwork, or other decorative
25 items; and (3) additional living expenses of an amount no less than
26 one thousand five hundred dollars (\$1,500) to cover expenses while
27 the residential dwelling remains uninhabitable due to physical loss
28 or damage from the peril of earthquake.

29 (b) Coverages provided in paragraphs (1) and (2) of subdivision
30 (a) shall not contain a deductible of more than 15 percent of
31 coverage provided for the dwelling.

32 (c) The commissioner may approve rate applications that allow
33 the insurer to offer policies providing coverage other than the
34 coverage specified in this section provided that at least one
35 coverage offered meets the criteria provided in this section.

36 (d) In the case of a residential dwelling ~~which~~ *that* is not owner
37 occupied, the minimum coverage for additional living expenses
38 may be waived by the applicant or policyholder, provided the
39 insurer gives notice to the applicant or policyholder that coverage

- 1 for additional living expenses is offered but may be waived, and
- 2 the waiver is in writing.

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