

AMENDED IN SENATE MARCH 26, 2012

**SENATE BILL**

**No. 1262**

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**Introduced by Senator Vargas**

February 23, 2012

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

LEGISLATIVE COUNSEL'S DIGEST

SB 1262, as amended, 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. *Existing law authorizes the Insurance Commissioner to approve rate applications that allow the insurer to offer policies providing coverage other than the coverage described above provided that at least one coverage offered meets the criteria of the coverage described above.*

~~This bill would make technical, nonsubstantive changes to those provisions~~ *specify that the earthquake insurance policies providing alternative coverage that may be offered may include coverage options not meeting the minimum coverage described above.*

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

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

4 (c) The commissioner may approve rate applications that allow  
5 the insurer to offer policies providing coverage other than the  
6 coverage specified in this section, *including coverage options not*  
7 *meeting the minimum coverage described in this section*, provided  
8 that at least one coverage offered meets the criteria provided in  
9 this section.

10 (d) In the case of a residential dwelling that is not owner  
11 occupied, the minimum coverage for additional living expenses  
12 may be waived by the applicant or policyholder, provided the  
13 insurer gives notice to the applicant or policyholder that coverage  
14 for additional living expenses is offered but may be waived, and  
15 the waiver is in writing.

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