

AMENDED IN ASSEMBLY MARCH 27, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2735**

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**Introduced by Committee on Insurance (Assembly Members Perea (Chair), Bradford, Ian Calderon, Cooley, Dababneh, Frazier, Gonzalez, V. Manuel Pérez, and Wieckowski)**

February 25, 2014

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An act to amend ~~Section 10086~~ *Sections 10083 and 10086.1* of the Insurance Code, relating to earthquake insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2735, as amended, Committee on Insurance. Earthquake insurance.

Existing law prohibits a policy of residential property insurance from being issued or delivered unless the named insured is offered coverage for loss or damage caused by an earthquake, and specifies the minimum coverage that is required to be offered *provides that a policy of residential property insurance may not be issued or delivered or, under certain circumstances, initially renewed by an insurer unless the named insured is offered coverage for loss or damage caused by an earthquake. The required offer of earthquake coverage is authorized to be made prior to, concurrent with, or within 60 days following the issuance or renewal of a residential property insurance policy.* If an offer of earthquake coverage is not accepted, insurers are required to subsequently offer earthquake coverage to residential policyholders on an every other year basis.

~~This bill would exempt those insurers whose insureds have accepted earthquake coverage that does not meet the minimum coverage requirement but has been approved by the Insurance Commissioner~~

from being required to offer earthquake coverage meeting the minimum coverage requirements at any renewal if the insurer has offered a renewal of that policy and has provided written notice with that renewal regarding additional earthquake coverage available.

*This bill would provide that if an insurer offers specified insurance policies providing earthquake coverage that is greater than the minimum requirements, and an offer of one of those policies has been accepted, no further or other offer of earthquake coverage meeting the minimum earthquake coverage requirements is required at a renewal, if the insurer has offered a renewal of that policy and has provided written notice with that renewal regarding additional earthquake coverage that is available. The bill would require the form of that written notice to be approved by the Insurance Commissioner, as specified. The bill would also make additional conforming changes.*

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

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

1     SECTION 1. Section 10083 of the Insurance Code, as amended  
 2 by Section 12 of Chapter 369 of the Statutes of 2013, is amended  
 3 to read:

4     10083. (a) The offer of coverage required by Section 10081  
 5 may be made prior to, concurrent with, or within 60 days following  
 6 the issuance or renewal of a residential property insurance policy.  
 7 If the offer of coverage is mailed to the named insured or applicant,  
 8 it shall be mailed to the mailing address shown on the policy of  
 9 residential property insurance or on the application. The offer may  
 10 be made electronically pursuant to Section 38.5. The offer of  
 11 earthquake coverage shall contain the following language in at  
 12 least 10-point boldface type:

13  
 14     YOUR POLICY DOES NOT PROVIDE COVERAGE  
 15 AGAINST THE PERIL OF EARTHQUAKE.  
 16     CALIFORNIA LAW REQUIRES THAT EARTHQUAKE  
 17 COVERAGE BE OFFERED TO YOU AT YOUR OPTION.  
 18     WARNING: THESE COVERAGES MAY DIFFER  
 19 SUBSTANTIALLY FROM AND PROVIDE LESS  
 20 PROTECTION THAN THE COVERAGE PROVIDED BY YOUR  
 21 HOMEOWNERS' INSURANCE POLICY. THERE ARE

1 EXCLUSIONS AND LIMITATIONS SUCH AS  
2 OUTBUILDINGS, SWIMMING POOLS, MASONRY FENCES,  
3 AND MASONRY CHIMNEYS. THIS DISCLOSURE FORM  
4 CONTAINS ONLY A GENERAL DESCRIPTION OF  
5 COVERAGES AND IS NOT PART OF YOUR EARTHQUAKE  
6 INSURANCE POLICY. ONLY THE SPECIFIC PROVISIONS  
7 OF YOUR POLICY WILL DETERMINE WHETHER A  
8 PARTICULAR LOSS IS COVERED AND, IF SO, THE  
9 AMOUNT PAYABLE.

10 THE COVERAGE, SUBJECT TO POLICY PROVISIONS,  
11 MAY BE PURCHASED AT ADDITIONAL COST ON THE  
12 FOLLOWING TERMS:

13 (A) AMOUNT OF DWELLING COVERAGE: \_\_\_\_\_

14 (B) APPLICABLE DEDUCTIBLE: \_\_\_\_\_ IF YOUR LOSS IS  
15 BELOW THIS AMOUNT, YOU MAY NOT RECEIVE ANY  
16 PAYMENT FROM YOUR COVERAGE.

17 YOUR INSURANCE COMPANY OR AGENT WILL  
18 PROVIDE WRITTEN NOTICE AS TO HOW THE  
19 DEDUCTIBLE APPLIES TO THE MARKET VALUE OF YOUR  
20 COVERAGE, THE INSURED VALUE OF YOUR COVERAGE,  
21 OR THE REPLACEMENT VALUE OF YOUR COVERAGE.

22 (C) CONTENTS COVERAGE: \_\_\_\_\_

23 IF YOUR LOSS DOES NOT EXCEED THE DEDUCTIBLE  
24 FOR THE DWELLING, YOU WILL NOT RECEIVE ANY  
25 PAYMENT FOR THIS COVERAGE.

26 YOUR INSURANCE COMPANY OR AGENT WILL  
27 PROVIDE WRITTEN NOTICE AS TO HOW THE  
28 DEDUCTIBLE APPLIES TO THE AMOUNT YOU RECEIVE  
29 PURSUANT TO THIS COVERAGE.

30 (D) ADDITIONAL LIVING EXPENSES: \_\_\_\_\_

31 (E) RATE OR PREMIUM: \_\_\_\_\_

32 YOU MUST ASK THE COMPANY TO ADD EARTHQUAKE  
33 COVERAGE WITHIN 30 DAYS FROM THE DATE OF  
34 MAILING OF THIS NOTICE OR IT SHALL BE  
35 CONCLUSIVELY PRESUMED THAT YOU HAVE NOT  
36 ACCEPTED THIS OFFER.

37 THIS COVERAGE SHALL BE EFFECTIVE ON THE DAY  
38 YOUR ACCEPTANCE OF THIS OFFER IS RECEIVED BY US.

39

1 (b) When the insurer, agent, or broker establishes delivery of  
2 the disclosure form by obtaining the signature of the applicant or  
3 insured, or when an insurer, agent, or broker provides the applicant  
4 with the disclosure form and the applicant does not return a signed  
5 acknowledgment of receipt within 60 days of the date it was  
6 provided, there shall be a conclusive presumption that the insurer,  
7 agent, or broker has complied with the disclosure requirements of  
8 this section.

9 (c) The offer may contain additional provisions not in conflict  
10 with or in derogation of this section.

11 (d) The commissioner may only approve modifications to the  
12 language prescribed in subdivision (a) if all of the following  
13 conditions are met:

14 (1) The modifications are not in conflict with or in derogation  
15 of any provision of this section or Section 10089.

16 (2) The modifications are necessary to ensure that the disclosure  
17 statement accurately reflects the coverage actually provided by  
18 the policy being offered.

19 (3) The modifications are strictly limited to necessary changes  
20 so that the modified disclosure statement is otherwise identical to  
21 the disclosure statement prescribed in this section.

22 (e) Use of the language prescribed by this section, or modified  
23 language approved pursuant to subdivision (d), shall constitute  
24 compliance with the requirements of Section 10081 by an insurer  
25 subject thereto.

26 (f) *(1) If the insurer offers policies providing earthquake*  
27 *coverage, other than the coverage specified in subdivisions (a)*  
28 *and (b) of Section 10089, pursuant to a rate application approved*  
29 *by the commissioner in accordance with subdivision (c) of Section*  
30 *10089, and an offer of one of those policies has been accepted, no*  
31 *further or other offer of earthquake coverage meeting the minimum*  
32 *coverage requirements is required at a renewal if the insurer has*  
33 *offered a renewal of that policy and has provided written notice*  
34 *with that renewal regarding additional earthquake coverage that*  
35 *is available.*

36 *(2) The form of the written notice in paragraph (1) shall be filed*  
37 *with the commissioner at least 30 days before its first use. The*  
38 *form shall not be used if the commissioner disapproves the form*  
39 *of the written notice within that period for being misleading or*  
40 *incomplete.*

1     (†)

2     (g) This section shall remain in effect only until January 1, 2019,

3     and as of that date is repealed, unless a later enacted statute, that

4     is enacted before January 1, 2019, deletes or extends that date.

5     SEC. 2. *Section 10083 of the Insurance Code, as added by*

6     *Section 13 of Chapter 369 of the Statutes of 2013, is amended to*

7     *read:*

8     10083. (a) The offer of coverage required by Section 10081

9     may be made prior to, concurrent with, or within 60 days following

10    the issuance or renewal of a residential property insurance policy.

11    If the offer of coverage is mailed to the named insured or applicant,

12    it shall be mailed to the mailing address shown on the policy of

13    residential property insurance or on the application. The offer of

14    earthquake coverage shall contain the following language in at

15    least 10-point boldface type:

16

17    YOUR POLICY DOES NOT PROVIDE COVERAGE

18    AGAINST THE PERIL OF EARTHQUAKE.

19    CALIFORNIA LAW REQUIRES THAT EARTHQUAKE

20    COVERAGE BE OFFERED TO YOU AT YOUR OPTION.

21    WARNING: THESE COVERAGES MAY DIFFER

22    SUBSTANTIALLY FROM AND PROVIDE LESS

23    PROTECTION THAN THE COVERAGE PROVIDED BY YOUR

24    HOMEOWNERS' INSURANCE POLICY. THERE ARE

25    EXCLUSIONS AND LIMITATIONS SUCH AS

26    OUTBUILDINGS, SWIMMING POOLS, MASONRY FENCES,

27    AND MASONRY CHIMNEYS. THIS DISCLOSURE FORM

28    CONTAINS ONLY A GENERAL DESCRIPTION OF

29    COVERAGES AND IS NOT PART OF YOUR EARTHQUAKE

30    INSURANCE POLICY. ONLY THE SPECIFIC PROVISIONS

31    OF YOUR POLICY WILL DETERMINE WHETHER A

32    PARTICULAR LOSS IS COVERED AND, IF SO, THE

33    AMOUNT PAYABLE.

34    THE COVERAGE, SUBJECT TO POLICY PROVISIONS,

35    MAY BE PURCHASED AT ADDITIONAL COST ON THE

36    FOLLOWING TERMS:

- 37    (A) AMOUNT OF DWELLING COVERAGE: \_\_\_\_\_
- 38    (B) APPLICABLE DEDUCTIBLE: \_\_\_\_\_ IF YOUR LOSS IS
- 39    BELOW THIS AMOUNT, YOU MAY NOT RECEIVE ANY
- 40    PAYMENT FROM YOUR COVERAGE.

1 YOUR INSURANCE COMPANY OR AGENT WILL  
2 PROVIDE WRITTEN NOTICE AS TO HOW THE  
3 DEDUCTIBLE APPLIES TO THE MARKET VALUE OF YOUR  
4 COVERAGE, THE INSURED VALUE OF YOUR COVERAGE,  
5 OR THE REPLACEMENT VALUE OF YOUR COVERAGE.

6 (C) CONTENTS COVERAGE: \_\_\_\_\_

7 IF YOUR LOSS DOES NOT EXCEED THE DEDUCTIBLE  
8 FOR THE DWELLING, YOU WILL NOT RECEIVE ANY  
9 PAYMENT FOR THIS COVERAGE.

10 YOUR INSURANCE COMPANY OR AGENT WILL  
11 PROVIDE WRITTEN NOTICE AS TO HOW THE  
12 DEDUCTIBLE APPLIES TO THE AMOUNT YOU RECEIVE  
13 PURSUANT TO THIS COVERAGE.

14 (D) ADDITIONAL LIVING EXPENSES: \_\_\_\_\_

15 (E) RATE OR PREMIUM: \_\_\_\_\_

16 YOU MUST ASK THE COMPANY TO ADD EARTHQUAKE  
17 COVERAGE WITHIN 30 DAYS FROM THE DATE OF  
18 MAILING OF THIS NOTICE OR IT SHALL BE  
19 CONCLUSIVELY PRESUMED THAT YOU HAVE NOT  
20 ACCEPTED THIS OFFER.

21 THIS COVERAGE SHALL BE EFFECTIVE ON THE DAY  
22 YOUR ACCEPTANCE OF THIS OFFER IS RECEIVED BY US.

23

24 (b) When the insurer, agent, or broker establishes delivery of  
25 the disclosure form by obtaining the signature of the applicant or  
26 insured, or when an insurer, agent, or broker provides the applicant  
27 with the disclosure form and the applicant does not return a signed  
28 acknowledgment of receipt within 60 days of the date it was  
29 provided, there shall be a conclusive presumption that the insurer,  
30 agent, or broker has complied with the disclosure requirements of  
31 this section.

32 (c) The offer may contain additional provisions not in conflict  
33 with or in derogation of this section.

34 (d) The commissioner may only approve modifications to the  
35 language prescribed in subdivision (a) if all of the following  
36 conditions are met:

37 (1) The modifications are not in conflict with or in derogation  
38 of any provision of this section or Section 10089.

1 (2) The modifications are necessary to ensure that the disclosure  
2 statement accurately reflects the coverage actually provided by  
3 the policy being offered.

4 (3) The modifications are strictly limited to necessary changes  
5 so that the modified disclosure statement is otherwise identical to  
6 the disclosure statement prescribed in this section.

7 (e) Use of the language prescribed by this section, or modified  
8 language approved pursuant to subdivision (d), shall constitute  
9 compliance with the requirements of Section 10081 by an insurer  
10 subject thereto.

11 (f) (1) *If the insurer offers policies providing earthquake*  
12 *coverage, other than the coverage specified in subdivisions (a)*  
13 *and (b) of Section 10089, pursuant to a rate application approved*  
14 *by the commissioner in accordance with subdivision (c) of Section*  
15 *10089, and an offer of one of those policies has been accepted, no*  
16 *further or other offer of earthquake coverage meeting the minimum*  
17 *coverage requirements is required at a renewal if the insurer has*  
18 *offered a renewal of that policy and has provided written notice*  
19 *with that renewal regarding additional earthquake coverage that*  
20 *is available.*

21 (2) *The form of the written notice in paragraph (1) shall be filed*  
22 *with the commissioner at least 30 days before its first use. The*  
23 *form shall not be used if the commissioner disapproves the form*  
24 *of the written notice within that period for being misleading or*  
25 *incomplete.*

26 (f)

27 (g) This section shall become operative on January 1, 2019.

28 SEC. 3. *Section 10086.1 of the Insurance Code is amended to*  
29 *read:*

30 10086.1. (a) Where the offer of earthquake coverage has not  
31 been accepted, the insurer shall notify the named insured that the  
32 policy does not provide that coverage. After the offer on an every  
33 other year basis, the notice of noncoverage shall be provided prior  
34 to or concurrent with the renewal of the policy of residential  
35 property insurance. This section shall not affect any other  
36 provisions of this chapter nor shall it affect coverage under the  
37 policy of residential property insurance.

38 (b) (1) *If the insurer offers policies providing earthquake*  
39 *coverage, other than the coverage specified in subdivisions (a)*  
40 *and (b) of Section 10089, pursuant to a rate application approved*

1 by the commissioner in accordance with subdivision (c) of Section  
2 10089, and an offer of one of those policies has been accepted, no  
3 further or other offer of earthquake coverage meeting the minimum  
4 coverage requirements is required at a renewal if the insurer has  
5 offered a renewal of that policy and has provided written notice  
6 with that renewal regarding additional earthquake coverage that  
7 is available.

8 (2) The form of the written notice in paragraph (1) shall be filed  
9 with the commissioner at least 30 days before its first use. The  
10 form shall not be used if the commissioner disapproves the form  
11 of the written notice within that period for being misleading or  
12 incomplete.

13 SECTION 1. Section 10086 of the Insurance Code, as amended  
14 by Section 14 of Chapter 369 of the Statutes of 2013, is amended  
15 to read:

16 10086. (a) If an offer of earthquake coverage is accepted, the  
17 coverage shall be continued at the applicable rates and conditions  
18 for the policy term, provided the policy of residential property  
19 insurance is not terminated by the named insured or insurer.

20 (1) At any renewal, an insurer may modify the terms and  
21 conditions of an existing policy, rider, or endorsement providing  
22 coverage against loss or damage caused by the peril of earthquake  
23 if the modified terms and conditions provide the minimum  
24 coverages required by Section 10089.

25 (2) An insurer that modifies the terms and conditions of an  
26 existing policy, rider, or endorsement shall provide the insured  
27 with the renewal notice in a stand-alone disclosure document  
28 stating the changes in the terms and conditions of the insured's  
29 existing policy, rider, or endorsement. The offer of renewal may  
30 be made electronically pursuant to Section 38.5. Proof of mailing  
31 of the disclosure document by first-class mail to a named insured  
32 at the mailing address shown on the policy or application, or proof  
33 consistent with Section 38.5 that the offer of renewal of coverage  
34 was sent to the named insured or applicant by electronic  
35 transmission, creates a conclusive presumption that the disclosure  
36 document was provided. The disclosure shall include the following  
37 statement in 14-point boldface type:

38 THE COVERAGE IN THE POLICY WE ARE OFFERING  
39 YOU WITH THIS RENEWAL HAS BEEN REDUCED, AND  
40 SUBSTANTIALLY DIFFERS FROM THE COVERAGES

1 ~~PROVIDED BY YOUR HOMEOWNERS' POLICY.~~  
 2 ~~INSURANCE COMPANIES ARE ALLOWED TO RENEW~~  
 3 ~~EARTHQUAKE INSURANCE POLICIES WITH COVERAGE~~  
 4 ~~THAT IS REDUCED FROM THE COVERAGE YOU~~  
 5 ~~PREVIOUSLY PURCHASED. YOU MAY REQUEST A~~  
 6 ~~SAMPLE COPY OF THIS NEW POLICY TO REVIEW PRIOR~~  
 7 ~~TO MAKING A DECISION TO ACCEPT THIS RENEWAL,~~  
 8 ~~AND WE WILL MAIL OR DELIVER IT TO YOU WITHIN 14~~  
 9 ~~DAYS OF YOUR REQUEST. A REQUEST FOR THE SAMPLE~~  
 10 ~~COPY SHALL NOT CHANGE OR EXTEND THE POLICY~~  
 11 ~~EXPIRATION DATE SPECIFIED IN THE RENEWAL NOTICE.~~  
 12 ~~A SUMMARY OF THE CHANGES IS INCLUDED WITH THIS~~  
 13 ~~NOTICE.~~

14 The commissioner shall approve the form of the summary at the  
 15 time he or she approves the policy. The summary shall include the  
 16 information contained in subdivision (a) of Section 10083, and  
 17 may be included with the renewal notice in standard type.

18 The commissioner may approve substantially similar disclosure  
 19 forms if necessary to accurately disclose relevant information to  
 20 the policyholder. The commissioner may also approve disclosure  
 21 forms substantially similar to the disclosure statement required by  
 22 Section 10083 if necessary to accurately disclose relevant  
 23 information to the policyholder.

24 (3) ~~If the earthquake coverage is provided by a policy issued~~  
 25 ~~by the California Earthquake Authority, the following disclosure~~  
 26 ~~shall be provided in 14-point boldface type:~~

27  
 28  
 29  
 30

~~CALIFORNIA EARTHQUAKE AUTHORITY POLICY  
 DISCLOSURE~~

31 ~~THIS POLICY IS BEING PURCHASED FROM THE~~  
 32 ~~CALIFORNIA EARTHQUAKE AUTHORITY ("CEA"). THE~~  
 33 ~~COVERAGE IN THIS CEA POLICY SUBSTANTIALLY~~  
 34 ~~DIFFERS FROM THE COVERAGES PROVIDED IN YOUR~~  
 35 ~~HOMEOWNER'S POLICY. THE CEA IS NOT PART OF OR~~  
 36 ~~ASSOCIATED WITH YOUR HOMEOWNER'S INSURANCE~~  
 37 ~~COMPANY. IF LOSSES AS A RESULT OF AN EARTHQUAKE~~  
 38 ~~OR A SERIES OF EARTHQUAKES EXCEED THE~~  
 39 ~~AVAILABLE RESOURCES OF THE CEA, THIS POLICY IS~~  
 40 ~~NOT COVERED BY THE CALIFORNIA INSURANCE~~

1 ~~GUARANTY ASSOCIATION. THEREFORE, THE~~  
2 ~~CALIFORNIA INSURANCE GUARANTY ASSOCIATION~~  
3 ~~WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR~~  
4 ~~ASSETS IF THE CEA BECOMES INSOLVENT AND IS~~  
5 ~~UNABLE TO MAKE PAYMENTS AS PROMISED. IN~~  
6 ~~ADDITION, YOUR CEA POLICY MAY BE SUBJECT TO~~  
7 ~~FUTURE SURCHARGES OF THE POLICY PREMIUM IN~~  
8 ~~CERTAIN CASES WHERE AN EARTHQUAKE OR SERIES~~  
9 ~~OF EARTHQUAKES HAS EXCEEDED AVAILABLE~~  
10 ~~RESOURCES TO PAY CLAIMS. IN THAT CASE, THIS~~  
11 ~~MEANS THAT IN ADDITION TO THE ANNUAL PREMIUM,~~  
12 ~~YOU MAY BE CHARGED UP TO AN ADDITIONAL 20% OF~~  
13 ~~THE PREMIUM.~~

14 ~~(b) (1) If the insurer offers policies providing earthquake~~  
15 ~~coverage, other than the coverage specified in subdivisions (a) and~~  
16 ~~(b) of Section 10089, pursuant to a rate application approved by~~  
17 ~~the commissioner in accordance with subdivision (c) of Section~~  
18 ~~10089, and an offer of that policy has been accepted, no further~~  
19 ~~or other offer of earthquake coverage meeting the minimum~~  
20 ~~coverage requirements is required at any renewal if the insurer has~~  
21 ~~done both of the following:~~

22 ~~(A) Offered a renewal of that policy.~~

23 ~~(B) Has provided written notice with that renewal regarding~~  
24 ~~additional earthquake coverage available.~~

25 ~~(2) The form of the written notice shall be filed with the~~  
26 ~~commissioner at least 30 days prior to its first use and shall not be~~  
27 ~~used if the commissioner disapproves the form of the written notice~~  
28 ~~as being misleading or incomplete within that period.~~

29 ~~(c) If the offer is not accepted, the insurer or any affiliated~~  
30 ~~insurer shall be required on an every other year basis to offer~~  
31 ~~earthquake coverage in connection with any continuation, renewal,~~  
32 ~~or reinstatement of the policy following any lapse thereof, or with~~  
33 ~~respect to any other policy that extends, changes, supersedes, or~~  
34 ~~replaces the policy of residential property insurance. The offer~~  
35 ~~may be made electronically pursuant to Section 38.5.~~

36 ~~(d) Nothing in this section shall preclude the named insured~~  
37 ~~from terminating the earthquake coverage at any time.~~

38 ~~(e) This section shall remain in effect only until January 1, 2019,~~  
39 ~~and as of that date is repealed, unless a later enacted statute, that~~  
40 ~~is enacted before January 1, 2019, deletes or extends that date.~~

1 ~~SEC. 2. Section 10086 of the Insurance Code, as added by Section~~  
2 ~~15 of Chapter 369 of the Statutes of 2013, is amended to read:~~

3 ~~10086. (a) If an offer of earthquake coverage is accepted, the~~  
4 ~~coverage shall be continued at the applicable rates and conditions~~  
5 ~~for the policy term, provided the policy of residential property~~  
6 ~~insurance is not terminated by the named insured or insurer.~~

7 ~~(1) At any renewal, an insurer may modify the terms and~~  
8 ~~conditions of an existing policy, rider, or endorsement providing~~  
9 ~~coverage against loss or damage caused by the peril of earthquake~~  
10 ~~if the modified terms and conditions provide the minimum~~  
11 ~~coverages required by Section 10089.~~

12 ~~(2) An insurer that modifies the terms and conditions of an~~  
13 ~~existing policy, rider, or endorsement shall provide the insured~~  
14 ~~with the renewal notice in a stand-alone disclosure document~~  
15 ~~stating the changes in the terms and conditions of the insured's~~  
16 ~~existing policy, rider, or endorsement. Proof of mailing of the~~  
17 ~~disclosure document by first-class mail to a named insured at the~~  
18 ~~mailing address shown on the policy or application creates a~~  
19 ~~conclusive presumption that the disclosure document was provided.~~  
20 ~~The disclosure shall include the following statement in 14-point~~  
21 ~~boldface type:~~

22 ~~THE COVERAGE IN THE POLICY WE ARE OFFERING~~  
23 ~~YOU WITH THIS RENEWAL HAS BEEN REDUCED, AND~~  
24 ~~SUBSTANTIALLY DIFFERS FROM THE COVERAGES~~  
25 ~~PROVIDED BY YOUR HOMEOWNERS' POLICY.~~  
26 ~~INSURANCE COMPANIES ARE ALLOWED TO RENEW~~  
27 ~~EARTHQUAKE INSURANCE POLICIES WITH COVERAGE~~  
28 ~~THAT IS REDUCED FROM THE COVERAGE YOU~~  
29 ~~PREVIOUSLY PURCHASED. YOU MAY REQUEST A~~  
30 ~~SAMPLE COPY OF THIS NEW POLICY TO REVIEW PRIOR~~  
31 ~~TO MAKING A DECISION TO ACCEPT THIS RENEWAL,~~  
32 ~~AND WE WILL MAIL OR DELIVER IT TO YOU WITHIN 14~~  
33 ~~DAYS OF YOUR REQUEST. A REQUEST FOR THE SAMPLE~~  
34 ~~COPY SHALL NOT CHANGE OR EXTEND THE POLICY~~  
35 ~~EXPIRATION DATE SPECIFIED IN THE RENEWAL NOTICE.~~  
36 ~~A SUMMARY OF THE CHANGES IS INCLUDED WITH THIS~~  
37 ~~NOTICE.~~

38 ~~The commissioner shall approve the form of the summary at the~~  
39 ~~time he or she approves the policy. The summary shall include the~~

1 information contained in subdivision (a) of Section 10083, and  
2 may be included with the renewal notice in standard type.

3 The commissioner may approve substantially similar disclosure  
4 forms if necessary to accurately disclose relevant information to  
5 the policyholder. The commissioner may also approve disclosure  
6 forms substantially similar to the disclosure statement required by  
7 Section 10083 if necessary to accurately disclose relevant  
8 information to the policyholder.

9 (3) If the earthquake coverage is provided by a policy issued  
10 by the California Earthquake Authority, the following disclosure  
11 shall be provided in 14-point boldface type:

12 CALIFORNIA EARTHQUAKE AUTHORITY POLICY  
13 DISCLOSURE

14 THIS POLICY IS BEING PURCHASED FROM THE  
15 CALIFORNIA EARTHQUAKE AUTHORITY (“CEA”). THE  
16 COVERAGE IN THIS CEA POLICY SUBSTANTIALLY  
17 DIFFERS FROM THE COVERAGES PROVIDED IN YOUR  
18 HOMEOWNER’S POLICY. THE CEA IS NOT PART OF OR  
19 ASSOCIATED WITH YOUR HOMEOWNER’S INSURANCE  
20 COMPANY. IF LOSSES AS A RESULT OF AN EARTHQUAKE  
21 OR A SERIES OF EARTHQUAKES EXCEED THE  
22 AVAILABLE RESOURCES OF THE CEA, THIS POLICY IS  
23 NOT COVERED BY THE CALIFORNIA INSURANCE  
24 GUARANTY ASSOCIATION. THEREFORE, THE  
25 CALIFORNIA INSURANCE GUARANTY ASSOCIATION  
26 WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR  
27 ASSETS IF THE CEA BECOMES INSOLVENT AND IS  
28 UNABLE TO MAKE PAYMENTS AS PROMISED. IN  
29 ADDITION, YOUR CEA POLICY MAY BE SUBJECT TO  
30 FUTURE SURCHARGES OF THE POLICY PREMIUM IN  
31 CERTAIN CASES WHERE AN EARTHQUAKE OR SERIES  
32 OF EARTHQUAKES HAS EXCEEDED AVAILABLE  
33 RESOURCES TO PAY CLAIMS. IN THAT CASE, THIS  
34 MEANS THAT IN ADDITION TO THE ANNUAL PREMIUM,  
35 YOU MAY BE CHARGED UP TO AN ADDITIONAL 20% OF  
36 THE PREMIUM.

37 (b) (1) If the insurer offers policies providing earthquake  
38 coverage, other than the coverage specified in subdivisions (a) and  
39 (b) of Section 10089, pursuant to a rate application approved by  
40 the commissioner in accordance with subdivision (c) of Section

- 1 ~~10089, and an offer of that policy has been accepted, no further~~  
2 ~~or other offer of earthquake coverage meeting the minimum~~  
3 ~~coverage requirements is required at any renewal if the insurer has~~  
4 ~~done both of the following:~~
- 5 ~~(A) Offered a renewal of that policy.~~
  - 6 ~~(B) Has provided written notice with that renewal regarding~~  
7 ~~additional earthquake coverage available.~~
- 8 ~~(2) The form of the written notice shall be filed with the~~  
9 ~~commissioner at least 30 days prior to its first use and shall not be~~  
10 ~~used if the commissioner disapproves the form of the written notice~~  
11 ~~as being misleading or incomplete within that period.~~
- 12 ~~(c) If the offer is not accepted, the insurer or any affiliated~~  
13 ~~insurer shall be required on an every other year basis to offer~~  
14 ~~earthquake coverage in connection with any continuation, renewal,~~  
15 ~~or reinstatement of the policy following any lapse thereof, or with~~  
16 ~~respect to any other policy that extends, changes, supersedes, or~~  
17 ~~replaces the policy of residential property insurance.~~
  - 18 ~~(d) Nothing in this section shall preclude the named insured~~  
19 ~~from terminating the earthquake coverage at any time.~~
  - 20 ~~(e) This section shall become operative on January 1, 2019.~~