

AMENDED IN ASSEMBLY APRIL 20, 2015

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1440**

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**Introduced by Assembly Member Nazarian  
(Coauthor: Assembly Member Chiu)**

February 27, 2015

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An act to ~~amend Section 10082.5 of, and to add Section 10089.395 to,~~ to the Insurance Code, relating to earthquake ~~insurance~~: *loss mitigation*.

LEGISLATIVE COUNSEL'S DIGEST

AB 1440, as amended, Nazarian. Earthquake loss mitigation: grant programs.

Existing law, the California Earthquake Authority Act, establishes the California Earthquake Authority (the authority), *administered by the Insurance Commissioner*, and authorizes the authority to transact insurance in this state as necessary to, among other things, create and maintain, in collaboration or jointly with subdivisions and programs of local, state, and federal governments and with other national programs, programs and activities that mitigate ~~against~~ seismic risks, for the benefit of homeowners and other property owners. Existing law establishes the Earthquake Loss Mitigation Fund, a subaccount of the California Earthquake Authority Fund, a continuously appropriated fund. Existing law authorizes the authority to apply money in the Earthquake Loss Mitigation Fund to supply grants and loans or loan guarantees to dwelling owners who wish to retrofit their homes to protect against earthquake damage, as specified.

~~This bill would require the authority to establish a grant program, to be administered by a joint powers authority of the authority and the Office of Emergency Services, that would give a grant to an applicant who owns and lives in a recognize the existence of the California Residential Mitigation Program (CRMP), a joint powers authority created in 2012 by agreement between the authority and the Office of Emergency Services. The bill would require the CRMP to implement a grant program and give a grant to a qualifying owner of a single-family residential structure for the purpose of paying a portion of to defray the owner’s cost of seismic retrofit work to the structure, as specified, if the Legislature appropriates funds for that purpose. This bill would require the authority and the office to jointly adopt regulations the governing board of the CRMP, after providing notice and opportunity for review and public comment, to adopt policies and procedures necessary to implement the grant program and to establish eligibility criteria for participation in the grant program. This bill would establish the maximum amount of a grant to an applicant, and would provide that a low-income applicant with an adjusted gross income that does not exceed specified limits does not have to provide matching funds as a condition of obtaining a grant under the program. This bill would provide that money in the Earthquake Loss Mitigation Fund may be expended to implement the grant program and make grants under the program upon appropriation by the Legislature. applicant.~~

~~Existing law prohibits an insurer who charges an additional earthquake insurance premium or deductible because a dwelling fails to meet certain building requirements relating to earthquake bracing from charging the additional premium or deductible if the dwelling is brought into compliance with those requirements, as specified.~~

~~This bill would make nonsubstantive, technical changes by deleting obsolete portions of those provisions.~~

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

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

- 1 SECTION 1. (a) The Legislature finds and declares all of the
- 2 following:
- 3 (1) The earthquakes of 2014 that affected the Cities of La Habra
- 4 and Napa have generated increased interest in mitigating *the*

1 ~~damage to single-family homes against earthquake damage.~~ *from*  
2 *earthquakes.*

3 (2) The California Earthquake Authority and the Office of  
4 Emergency Services plan to expand the Earthquake Brace + Bolt  
5 program to 650 homes in 2015.

6 (3) The California Earthquake Authority is working with the  
7 Federal Emergency Management Agency and the Applied  
8 Technology Council, a nonprofit research organization, to develop  
9 the “ATC-110. Development of a Prestandard for the Evaluation  
10 and Retrofit of One and Two Family Light Frame Residential  
11 Buildings” for retrofitting additional types of single-family homes.

12 (4) A well-funded program to encourage homeowners to mitigate  
13 *the risk to* their homes would mean more homes would survive an  
14 earthquake and homeowners who retrofit their homes would receive  
15 actuarially justified lower rates for earthquake insurance.

16 (5) Only 12 percent of California homeowners currently  
17 purchase earthquake insurance, leaving the vast majority of  
18 homeowners unprotected in the event of a major earthquake.

19 (6) There are many paths to funding a retrofit program, including  
20 income tax credits, sales tax rebates, attaching the financing to  
21 property taxes, and grants.

22 (b) Therefore, it is the intent of the Legislature to enact  
23 legislation that would create and fund a program to assist California  
24 homeowners with earthquake mitigation repairs to their homes.

25 ~~SEC. 2.—Section 10082.5 of the Insurance Code is amended to~~  
26 ~~read:~~

27 ~~10082.5.—(a) If an insurer subject to this chapter charges an~~  
28 ~~additional earthquake insurance premium or deductible because a~~  
29 ~~dwelling fails to comply with paragraph (1), (2), or (3) and the~~  
30 ~~dwelling is subsequently brought into compliance with any one of~~  
31 ~~these paragraphs, then the additional premium or deductible~~  
32 ~~attributed to noncompliance shall not be charged.~~

33 ~~(1) Compliance with Section 19215 of the Health and Safety~~  
34 ~~Code for the bracing, anchoring, or strapping all water heaters to~~  
35 ~~resist falling or horizontal displacement due to earthquake motion.~~

36 ~~(2) Compliance with the foundation anchor bolt requirements~~  
37 ~~of the 2007 edition of the California Building Standards Code as~~  
38 ~~specified in Title 24 of the California Code of Regulations, or a~~  
39 ~~successor edition of that code, or with any local government~~  
40 ~~modifications to those requirements.~~

1 ~~(3) Compliance with the bracing requirements for cripple walls~~  
2 ~~of the 2007 edition of the California Building Standards Code as~~  
3 ~~specified in Title 24 of the California Code of Regulations, or a~~  
4 ~~successor edition of that code, or with any local government~~  
5 ~~modifications to those requirements.~~

6 ~~(b) A copy of the approved inspection record for the building~~  
7 ~~permit for work performed pursuant to this section shall be~~  
8 ~~submitted by the insured to the insurer in order to verify that~~  
9 ~~retrofits performed pursuant to this section have been performed.~~

10 ~~SEC. 3.~~

11 *SEC. 2.* Section 10089.395 is added to the Insurance Code,  
12 immediately following Section 10089.39, to read:

13 ~~10089.395.— (a) On or before July 1, 2016, the authority shall~~  
14 ~~establish a grant program that is administered by a joint powers~~  
15 ~~authority of the California Earthquake Authority and the Office~~  
16 ~~of Emergency Services for the purpose of providing monetary~~  
17 ~~grants that assist a qualified homeowner by defraying the~~  
18 ~~homeowner’s cost of seismic retrofitting of residential structures.~~

19 *10089.395. (a) The Legislature finds and declares that there*  
20 *exists the California Residential Mitigation Program, also known*  
21 *as the “CRMP,” a joint powers authority created in 2012 by*  
22 *agreement between the California Earthquake Authority and the*  
23 *Office of Emergency Services.*

24 *(b) If Legislature appropriates funds for the purpose of funding*  
25 *the CRMP’s implementation of the grant program described in*  
26 *this section, the CRMP shall, pursuant to the requirements of this*  
27 *section, implement the grant program and make grants that assist*  
28 *a qualifying owner of a single-family residential structure by*  
29 *defraying the owner’s cost of seismic retrofitting of the structure.*

30 ~~(b) An~~

31 *(c) The CRMP may make a grant to an applicant who satisfies*  
32 *all of the following may seek a grant from the program established*  
33 *by this section: following:*

34 (1) The applicant is an owner of record of, and lives in, the  
35 structure to be retrofitted.

36 (2) The structure is a single-family, detached, residential  
37 building of not more than four dwelling units.

38 (3) The structure meets structural requirements established  
39 pursuant to subdivision ~~(e)~~. *(e)*.

1 (4) The structure is located in a high-risk earthquake area, based  
2 on criteria established pursuant to subdivision ~~(e)~~: *(e)*.

3 (5) The retrofit work qualifies as work for which the applicant  
4 may receive a grant, based on criteria established pursuant to  
5 subdivision ~~(e)~~: *(e)*.

6 *(d) A grant shall not exceed the lesser of 75 percent of the cost*  
7 *of the qualifying retrofit work, or three thousand dollars (\$3,000).*

8 ~~(e) The authority shall, jointly with the Office of Emergency~~  
9 ~~Services, adopt regulations~~

10 *(e) The governing board of the CRMP shall adopt policies and*  
11 *procedures necessary to implement this section, including, but not*  
12 *limited to, establishing structural eligibility requirements for*  
13 *structures that will receive seismic retrofit work, defining criteria*  
14 *for determining whether a structure is located in a high-risk*  
15 *earthquake area, and defining criteria for seismic retrofit work that*  
16 *qualifies as work eligible for receipt of a grant. In adopting those*  
17 *policies and procedures, the governing board shall provide notice*  
18 *and opportunity for public review and comment, publish the*  
19 *policies and procedures on the CRMP's Internet Web site, and*  
20 *otherwise make the policies and procedures available to the public.*

21 ~~(d) A grant shall not exceed the lesser of 75 percent of the cost~~  
22 ~~of the qualifying retrofit work, or three thousand dollars (\$3,000).~~

23 ~~(e) A single person with an adjusted gross income of fifty~~  
24 ~~thousand dollars (\$50,000) or less, or a married couple with an~~  
25 ~~adjusted gross income of one hundred thousand dollars (\$100,000)~~  
26 ~~or less, as defined by Section 62 of the Internal Revenue Code,~~  
27 ~~shall not be required to provide matching funds as a condition of~~  
28 ~~receiving a grant.~~

29 ~~(f) The authority may expend money in the Earthquake Loss~~  
30 ~~Mitigation Fund, upon appropriation by the Legislature, to~~  
31 ~~implement and make grants pursuant to the program established~~  
32 ~~by this section.~~