

# NAVIGATING INSURANCE CLAIMS AND MAXIMIZING RECOVERIES AFTER THE LOS ANGELES WILDFIRES

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## INTRODUCTION

Thank you for attending the seminar. We hope that you gained some information to aid yourselves or your loved ones in pursuing claims for insurance benefits.

### I. Homeowners' Policies:

- A. Four Basic Coverages: 1) Dwelling/House, 2) Other/Appurtenant Structures, 3) Personal Property/Contents & 4) Additional Living Expense/Loss of Use. The last three coverages are usually percentages of the Dwelling/House limits, i.e. the Dwelling/House limit is the driver with respect to most limits in the policy. Coverage limits are set forth on a page at the beginning of the insurance policy known as a Declarations Page. (See exemplar in attachment A).
- B. Necessary Documentation: It is helpful to obtain complete copies of the insurance policy in effect at the time of the fire. You may not have a complete copy available, but you should be able to quickly obtain one from your broker or the insurer's assigned adjuster. In fact, an insurer is obligated to provide a complete copy of the policy upon request. Sometimes brokers and/or insurers will only provide you copies of billings, but you need the entire policy. You also may want to request copies of any correspondence with and /or evidence of payment from the insurer.
- C. Dwelling/House:
  1. An insurer pays "actual cash value," up to the limits stated on the policy, pending replacement/rebuilding of the house, if the insured purchased replacement cost coverage for your home.
    - (a) Actual Cash Value is either:
      - 1) replacement cost of the house, less depreciation for wear, tear and obsolescence; or
      - 2) fair market value of the house, which is what a willing buyer would pay a willing seller for the house, less the value of the lot; and

- 3) The definition of actual cash value is usually set forth in the policy. The more common definition is replacement cost less depreciation.
  - (b) Actual Cash Value is usually computed by the insurer, although it can be disputed by the insured.
  - (c) If there is a mortgage, the insurer will issue the actual cash value check to the lender and the insured jointly shortly after the loss.
2. "Replacement Cost" is the cost of replacing the house using materials of like kind and quality up to the replacement cost policy limits. Most, but not all, homeowners' policies provide replacement cost coverage.
  - (a) Initially, the insurer will determine the replacement cost of the house and other structures. If there is disagreement, the insured usually retains their own contractor to evaluate the insurer's figures and/or provide a competing bid.
  - (b) The policy language states that the homeowner does not get paid full replacement cost, until the property is replaced. However, most insurers will issue replacement cost monies as the rebuilding of the house progresses and once the actual cash value monies have been expended. If the house is replaced by purchasing a replacement home, the replacement funds are issued when the replacement home is purchased.
3. Extended/Enhanced Replacement Cost: If the homeowner purchased replacement cost coverage, they may also have purchased extended/enhanced replacement cost, which provides an additional percentage of coverage above the stated policy limits.
4. Ordinance or Law coverage, aka Code Upgrade coverage: If purchased, this provides coverage for complying with building ordinances or laws in reconstructing the home.
5. Rebuilding and/or replacing the home: An insured may replace their home by: 1) rebuilding their home on their lot; or 2) rebuilding their home on another lot; or 3) buying a replacement home. (Cal. Insurance Code Sec. 2051.5, see attachment B)

6. Repair Cost: If a house is only damaged by fire, smoke and/or fire suppression efforts, then the insurer pays the cost of repair, including remediating smoke and water damage.
  7. Debris Removal: There is coverage for debris removal, up to some percentage of the dwelling/house limit, typically 5-10%. Most policies provide this benefit in addition to the dwelling limits if replacement cost of the dwelling equals or exceeds available limits.
  8. Landscaping: Under a traditional homeowners' policy there is coverage for landscaping destroyed or damaged by fire. Again, it is a percentage of the available dwelling limits (usually 5%), which is paid in addition to the dwelling limits, i.e. the landscaping loss will be paid up to the 5% of dwelling limits whether the insured rebuilds or replaces their home.
  9. Infrequent policy limit situations:
    - (a) Agreed value policies, where the insured and the insurer have agreed as to the value of the home and other structures, etc.
    - (b) "Guaranteed replacement" cost policies, where the insurer will pay the full cost of replacing the home and other structures irrespective of the policy limits.
- D. Other/Appurtenant Structures: Includes decks, gazebos, barns, pools, etc. set apart from the dwelling by clear space or only connected by a fence, utility line, etc.
- E. Personal Property/Contents: This coverage is usually 50% or more of the dwelling limit.
1. In the event of total loss, California law requires the insurer advance payment of 30% of the policy limit applicable to the covered dwelling structure, up to a maximum of \$250,000, for advance payment of contents. This advance payment should be issued without requiring the policyholder to file an itemized claim. (See, Cal. Ins. Code § 10103.7(b).) After the advance payment, additional payment for contents should be paid according to the policy, likely requiring an itemization of the contents. (See Attachment F)
- F. Loss of Use, aka Additional Living Expenses: This is usually some percentage of the dwelling limits and/or it may be limited by time, e.g. 2

years or the shortest time to reoccupy your home, whichever is less. It is to compensate the homeowner for the expenses they will incur while in a temporary residence pending replacement/rebuilding of their home. Where a state of emergency is declared the insured has a minimum of 24 months, if necessary subject to monetary policy limits. (Cal. Ins. Code Sec. 2060 (b), see attachment C). There are generally two methods of computing:

1. Additional Living Expense-additional necessary expenses arising out of the loss of the home, e.g. rental of temporary quarters, additional meals eaten in restaurants and increased commute costs, etc. This method is found in almost all policies.
    - (a) If home is a total loss, California law requires advance payment of four months of additional living expense. ((See Attachment F, quoting Cal. Ins. Code. § 2061(a) ["In the event of a covered loss relating to a state of emergency under a residential property insurance policy if a policyholder has made a claim for additional living expenses related to a total loss, an insurer shall, upon request by a policyholder, render an advance payment of no less than four months of living expenses. Additional payment for additional living expenses shall be payable upon proper proof following the advance period."].))
  2. Fair Rental Value of the homeowners' former home. This method is less frequently included in policies.
  3. If a portion of the home was rented out, the policy will usually compensate for loss of rental income during the time of rebuilding or replacement.
- G. Extended/Enhanced Replacement Cost coverage: Some policies with this coverage provide that if a dwelling limit is inadequate to rebuild the home, it will be increased to accommodate a replacement cost above the stated policy limit for the home/dwelling. Typically, it is an additional 25-50% increase in stated limits to rebuild the home.
- H. Life of a Residential Insurance Claim:
1. When an insured home is lost the insurer typically advances monies for personal property and additional living expenses almost immediately.
  2. The insurer will next determine the actual cash value of the home and other structures and issue a check in the amount of

the actual cash value of the home and other structures, up to the policy limits, to the insured and if there is a mortgage to the insured and the lender jointly.

3. The insurer will also compute the replacement cost of the home. These computations are typically low/unrealistic. If there are remaining limits available after the insurer's computation of replacement cost, the insured will usually challenge the computation by obtaining a bid from a contractor to replace the home. Frequently, this will result in an increased cost of replacement being agreed to by the insurer.
4. If the insured rebuilds, the insurer will generally not pay out replacement monies until the insured exhausts their actual cash value funds during the rebuilding process and then will pay out more as needed to replace the home until it is finally replaced or policy limits for the home, other structures, and code upgrades are reached.
5. Shortly after the loss, the insurer may adjust policy limits to reflect increased cost of replacement of the home during the policy period, which is frequently referred to as inflation guard coverage. This increase is never very large. (See exemplar in attachment D).
6. Fairly soon after the loss, debris will need to be removed and the insurer will reimburse the insured for debris removal expenses up to a percentage of the limits for the home.
7. Usually, immediately after a fire loss the insured will stay in temporary quarters. As soon as possible, the insured will likely rent another home/apartment for a longer period of time.
8. The insured and the insurer will also be dealing with the insured's contents loss. The insured will be submitting lists of lost contents, which the insurer will evaluate and initially pay the insured for their actual cash value up to the policy limits and if the insured has replacement cost coverage for contents, the insurer will pay for the increased cost of replacing contents as they are replaced until the limits are reached.
9. See attachment E for an exemplar of a claim in process.

## II. Other Types of Insurance & Issues

- A. Condominium Insurance: The association has a policy covering the structure. The owner must purchase a policy covering their interior additions and improvements, personal property and additional living expenses in the event of a loss in order to have coverage.
- B. Renters Insurance: Will cover personal property and may provide coverage for additional living expenses in the event of a loss.
- C. Mobile Home Coverage: May only cover the mobile home itself or may include coverage for personal property and additional living expenses.
- D. Forced Place Coverage: Where a bank/lender obtains coverage from an insurer it selects if the insured fails to maintain insurance on the property to protect the lender's security.
- E. Other claims issues:
  - 1. Co-insurance penalties.
  - 2. Failure to report a significant remodel or addition: Most policies contain a provision that if the insured upgrades their property with an increase in value of \$5,000 or 10%.

# ATTACHMENT A



# ATTACHMENT B

**Effective: January 1, 2021**

**West's Ann.Cal.Ins.Code § 2051.5**

**§ 2051.5. Measure of indemnity under an open policy**

(a)(1) Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or replace the thing lost or injured, without a deduction for physical depreciation, or the policy limit, whichever is less.

(2) If the policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer shall pay the actual cash value of the damaged property, as defined in Section 2051, until the damaged property is repaired, rebuilt, or replaced. Once the property is repaired, rebuilt, or replaced, the insurer shall pay the difference between the actual cash value payment made and the full replacement cost reasonably paid to replace the damaged property, up to the limits stated in the policy.

(b)(1)(A) A time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall not be placed upon an insured in order to collect the full replacement cost of the loss, subject to the policy limit.

(B) In the event of a loss relating to a “state of emergency,” as defined in Section 8558 of the Government Code, a time limit of less than 36 months from the date that the first payment toward the actual cash value is made shall not be placed upon the insured in order to collect the full replacement cost of the loss, subject to the policy limit.

(C) This section does not prohibit an insurer from allowing the insured additional time to collect the full replacement cost.

(2) An insurer shall provide to a policyholder one or more additional extensions of six months for good cause pursuant to subparagraph (A) or (B) of paragraph (1) if the insured, acting in good faith and with reasonable diligence, encounters a delay or delays in approval for, or reconstruction of, the home or residence that are beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.

(c)(1) In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location.

(2) Notwithstanding any other law, for a residential property insurance policy, the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location shall be the amount that would have been recoverable had the insured dwelling been rebuilt at its original location, and a deduction for the value of land at the new location shall not be permitted from that measure of damages. However, the measure of indemnity shall not exceed the cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to rebuild the insured structure at its original location.

(d) This section does not prohibit an insurer from restricting payment in cases of suspected fraud.

(e)(1) On and after July 1, 2005, and only until July 1, 2019, all policy forms used by an insurer shall be in compliance with this section, except for the changes made to this section by the act<sup>1</sup> that added paragraph (2).

(2) On and after July 1, 2019, all policy forms issued or renewed by an insurer shall comply with this section in its entirety, including the changes made to this section by the act that added this paragraph.

# ATTACHMENT C

**Effective: July 1, 2021**

**West's Ann.Cal.Ins.Code § 2060**

**§ 2060. Additional living expenses; state of emergency**

(a) In the event of a loss under a homeowners' insurance policy for which the insured has made a claim for additional living expenses, the insurer shall provide the insured with a list of items that the insurer believes may be covered under the policy as additional living expenses. The list may include a statement that the list is not intended to include all items covered under the policy, but only those that are commonly claimed, if this is the case. If the department develops a list for use by insurers, the insurer may use that list.

(b)(1) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, coverage for additional living expenses shall be for a period of no less than 24 months from the inception of the loss, but shall be subject to other policy provisions. An insurer shall grant an extension of up to 12 additional months, for a total of 36 months, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work. Additional extensions of six months shall be provided to policyholders for good cause.

(2) A policy that provides coverage for additional living expenses subject to this subdivision shall not limit the policyholder's right to recovery if the insured home is rendered uninhabitable by a covered peril. However, an insurer may, in lieu of making living expense payments required by this subdivision, provide a reasonable alternative remedy that addresses the property condition that precludes reasonable habitation of the insured premises. The additional living expense coverage subject to this section does not include a utility public safety power shut off event, which is the deenergization of a portion of the electrical distribution or transmission system to reduce the risk of wildfire ignition.

(c) For a loss that is otherwise not subject to paragraph (1) or (2) of subdivision (b), in the event of a state of emergency, as defined in Section 8558 of the Government Code, that is accompanied by an order of civil authority restricting access to the home, related to a covered peril, additional living expense coverage shall be provided for at least two weeks. Additional extensions of two weeks shall be provided to a policyholder for good cause, but shall be subject to other policy provisions.

(d) The amendments made by the act that added this subdivision<sup>1</sup> shall be operative on July 1, 2021.

# ATTACHMENT D

|                            |              |
|----------------------------|--------------|
| COVERAGE A LIMIT           | \$635,500.00 |
| COVERAGE A INFLATION GUARD | \$958.00     |
| EXTENDED DWELLING COVERAGE | \$317,750.00 |
| <br>                       |              |
| BUILDING ORDINANCE         | \$63,645.80  |
| TREES, SHRUBS, PLANTS      | \$31,822.90  |
| DEBRIS REMOVAL             | \$31,822.90  |
| <br>                       |              |
| COVERAGE B LIMIT           | \$63,550.00  |
| COVERAGE B INFLATION GUARD | \$96.00      |
| <br>                       |              |
| COVERAGE C LIMIT           | \$469,530.00 |
| COVERAGE C INFLATION GUARD | \$708.00     |
| <br>                       |              |
| COVERAGE D LIMIT           | \$254,200.00 |
| COVERAGE D INFLATION GUARD | \$383.00     |

# ATTACHMENT E

**YOUR CLAIM INFORMATION**

**Policyholder:**

**Claim number:**

**Policy number:**

**Date of incident:**

**Your Available Coverage**

|                                   | Coverage A  | Coverage B   | Coverage C  | Coverage D   | All Coverages         |
|-----------------------------------|---|--|---|--------------|-----------------------|
| <b>Estimated Replacement Cost</b> | \$820,600.00  | \$82,600.00  | \$615,600.00  | \$328,300.00 |                       |
| <b>150% Escalation -As Needed</b> | \$410,300.00  | \$41,300.00  |   |              |                       |
| <b>Additional Coverages</b>       | Coverage A Additional Debris Removal<br>\$61,545.00 | Coverage B Additional Debris Removal<br>\$6,195.00 | Coverage C Additional Debris Removal<br>\$30,780.00 |              |                       |
|                                   | Trees, Shrubs & Other Plants<br>\$41,030.00         |  |   |              |                       |
| <b>Total Coverage Available</b>   | \$1,333,475.00                                      | \$130,095.00                                       | \$646,380.00  | \$328,300.00 | <b>\$2,438,250.00</b> |

**YOUR CLAIM INFORMATION**

**Policyholder:**

**Claim number:**

**Policy number:**

**Date of incident:**

**Your Payments to Date and Coverage Balances**

|   | Total Coverage Available | Paid to Date          | Balance on Total Available Coverage |
|---|--------------------------|-----------------------|-------------------------------------|
| <b>Coverage A<br/>Dwelling</b>          | \$1,333,475.00           | \$874,630.00          | \$458,845.00                        |
| <b>Coverage B<br/>Other Structures</b>  | \$130,095.00             | \$88,600.00           | \$41,495.00                         |
| <b>Coverage C<br/>Personal Property</b> | \$646,380.00             | \$617,285.00          | \$29,095.00                         |
| <b>Coverage D<br/>Loss of Use</b>       | \$328,300.00             | \$129,360.00          | \$198,940.00                        |
| <b>Total</b>                            | <b>\$2,438,250.00</b>    | <b>\$1,709,875.00</b> | <b>\$728,375.00</b>                 |

**YOUR CLAIM INFORMATION****Policyholder:****Claim number:****Policy number:****Date of incident:****Status of Your Claim and Next Steps**

|                                     | Repair Assessment  | Fair market value of home structure                  | Contractor's Estimate                              | Inventory, Receipts and Other                                   |
|-------------------------------------|--|--|--|---|
| <b>Coverage A Dwelling</b>          | final approved Dwelling coverage - policy limits (pending)<br>\$1,230,900.00 | Fair market value of dwelling<br>\$815,000.00        | 2 contractors estimates received<br>\$2,169,168.75 |   |
| <b>Coverage B Other Structures</b>  | final approved Other Structures payment (pending)                            | Actual cash value of Other Structures<br>\$82,600.00 |  |   |
| <b>Coverage C Personal Property</b> |  |  |  | Estimated Replacement Cost<br>\$615,600.00<br>Actual Cash Value |
| <b>Coverage D Loss of Use</b>       |  |  |  | Fair rental value through 10\9\18<br>\$129,360.00               |

**YOUR CLAIM INFORMATION****Policyholder:****Claim number:****Policy number:****Date of incident:****Coverage "A" Dwelling and Coverage "B" Other Structures**

| Current Status  | Next Steps  | Timeline  |
|---|---|---|
| <p>Payment issued for trees\shrubs\plants for full policy limits \$41,030.00</p> <p>Payment has been issued for coverage A limits of liability listed on the declarations page in the amount of \$820,600.00</p> <p>Debris removal reimbursed in the amount of \$20,685.00</p> <p>Payment issued for Other Structures policy limit in the amount of \$82,600.00</p> <p>Thank you for sending in confirmation your loan is paid off, all future payments will no longer include Wells Fargo</p> <p>The CSAA valuation has been completed and you have been approved for repairs up to Dwelling policy limit.</p> <p>The debris removal invoice is pending from FEMA - Army Corps of Engineers.</p> | <p>If you receive a copy of the FEMA debris removal invoice, please forward to us for review\payment.</p> <p>Your contractors estimate has been reviewed and approved up to your policy limits. You can move forward with signing a contract to begin the repairs. Once a copy of your building permit is received, we will release your remaining coverage A limits available.</p> <p>If a separate bid is available for the Other Structures, we will also review for replacement cost payments up to your policy limit when the building permit is received.</p> | <p>FEMA has advised they will begin sending invoicing for debris removal in October 2018.</p> |

**Coverage "C" Personal Property**

| Current Status   | Next Steps  | Timeline   |
|--|---|--|
| <p>Policy limit payment issued for coverage C personal property in the amount of</p> | <p>If you receive a copy of the FEMA debris removal invoice, please forward to us for</p> | <p>Debris removal invoices will be paid within 15 days of receipt.</p> |

**YOUR CLAIM INFORMATION**

**Policyholder:**

**Claim number:**

**Policy number:**

**Date of incident:**

\$615,600.00

review\payment.

The debris removal invoice is pending from FEMA - Army Corps of Engineers.

**Coverage "D" Loss of Use**

| Current Status   | Next Steps  | Timeline  |
|--|---|---|
| <p>Fair rental value payment has been issued through 10\9\18 in the amount of \$129,360.00</p> | <p>Once a copy of your building permit is received, we will release a fair rental value payment as a large sum of 1 year.</p> | <p>I will continue to pay Fair Rental value and can review for additional payments as long as effort is being made to rebuild and progress takes place along with supporting documentation of the rebuild. Payments issued up to policy limits or two years whichever comes first</p> |

# ATTACHMENT F



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

## **BULLETIN 2025-2**

**TO: All Insurance Companies and Adjusters Handling Claims Resulting from Recent Wildfires in Southern California**

**FROM: Insurance Commissioner Ricardo Lara**

**DATE: January 23, 2025**

**RE: Important Existing Consumer Protections for Wildfire Survivors, Including Advance Claim Payments**

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As Insurance Commissioner, my top priority is ensuring that wildfire survivors affected by the devastating Palisades and Eaton fires, in addition to the other fires in the Southern California region that began as a result of windstorm conditions, receive the insurance benefits they are entitled to -- and that they receive them as soon as possible. I believe swift payment of claims is the first step to helping people recover and get back on their feet, and what I expect of all insurance companies, including the FAIR Plan, a statutorily-created consortium of the admitted insurance companies writing business in California.

Due to the tragic loss of life and property from the current wildfires in Southern California, many consumers are overwhelmed with being evacuated and the tasks of dealing with finding temporary housing while ensuring the safety of their families, among other major adverse changes in their daily lives. Governor Gavin Newsom declared a [state of emergency](#) in Los Angeles and Ventura counties to address the fires in those counties as a result of windstorm conditions. Subsequently, the President issued a Presidential Major Disaster Declaration to support ongoing response efforts related to the major wildfires burning in the Los Angeles area.

Under existing California law, policyholders that suffered a total loss are legally entitled to certain advance payments on their claims. My Department staff and I have received feedback from many policyholders at my recent Insurance Support Workshops, at Disaster Recovery Centers, *via* my Department's Consumer Hotline, and from public officials on how the insurance claims process is going so far. One major concern that we have heard to date is that, while some policyholders have received these advance upfront payments, many others have not. Policyholders need these advance funds to help cover the significant expenses relating to relocating, childcare, transportation, and many other unforeseen costs caused by these wildfires.

**In an effort to assist policyholders in recovering from these devastating wildfires, I'm calling on all insurance companies to take immediate steps to determine total losses and process these advance payments as soon as possible in accordance with existing California law.** I'm aware that some insurance companies are able to quickly determine whether a property is a total loss quickly through satellite imagery, direct inspection by adjusters (where access to the area is permitted), and from other sources. However, other insurance companies have moved less quickly.

Once a property is determined to be a total loss, existing California insurance law requires certain advance payments to claimants which include:

- **Additional Living Expense (ALE) Advance Payment:** ([Cal. Ins. Code section 2061\[a\]](#)) In the event of a covered loss relating to a state of emergency under a residential property insurance policy if a policyholder has made a claim for additional living expenses related to a total loss, an insurer shall, upon request by a policyholder, render an advance payment of no less than four months of living expenses. Additional payment for additional living expenses shall be payable upon proper proof following the advance period.

Note: While the California FAIR Plan's Dwelling policy uses the term "Fair Rental Value" (versus Additional Living Expense), the requirement to advance no less than four months of Fair Rental Value also applies to the FAIR Plan's policies.

- **Payment of Contents Without Inventory:** ([Cal. Ins. Code section 10103.7\[b\]](#)) In the event of a covered total loss of a primary dwelling under a residential property insurance policy resulting from a state of emergency, if the residence was furnished at the time of the loss, the insurance company shall offer a payment under the contents (personal property) coverage in an amount no less than 30 percent of the policy limit applicable to the covered dwelling structure, up to a maximum of two hundred fifty thousand dollars (\$250,000), without requiring the policyholder to file an itemized claim.

Also, after receiving the advance payment for contents, the policyholder may recover additional amounts up to the policy limit for contents coverage by filing a claim pursuant to the terms of the policy. Importantly, when a policyholder files a claim relating to a state of emergency, the insurer is required to notify the policyholder of the option to receive this advance payment for loss of contents and of the policyholder's option to subsequently file a full itemized claim. Some policyholders we spoke to at my workshops advised that they were not notified of this option.

I'm aware that some insurance companies are providing these advance payments plus additional funds, with some automatically paying full policy limits on all or some of the coverages when a total loss has been determined. I commend these insurers for stepping up for their policyholders, and urge other insurers to follow suit so that all policyholders and these devastated communities can recover as quickly as possible.

In addition to the concerns over advance payments, my staff and I are hearing about other misinformation being imparted to some policyholders who have suffered a total loss by some insurance company adjusters. One issue involves the requirements when a policyholder chooses not to rebuild their home, but instead chooses to rebuild or purchase a property at another location. We are hearing from some policyholders that they were advised by their adjusters that if they choose to rebuild or purchase at another location, they will not receive their full benefits owed. Specifically, some policyholders were advised they will not receive building code upgrade costs, since those costs will not be "incurred." We have also heard that

some adjusters are advising claimants that value of land at the new location will be deducted from the full benefits owed.

These laws include:

- **Rebuilding in Current Location or Rebuilding or Replacing in a New Location:** Existing law requires, in the event of a total loss of the insured structure, that when a policyholder decides to rebuild at a new location or to purchase an already built home at a new location, they are due the full benefits that would have been payable had the policyholder rebuilt the property at the loss location. These full benefits include payment of replacement cost, including any extended replacement cost coverage, if the policy has those coverages. Existing law also requires payment of building code upgrade benefits (also known as building ordinance and law) associated with rebuilding the property at the loss location even though building code upgrade costs will not be “incurred” at the loss location. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location. ([Cal. Ins. Code section 2051.5\[c\]\[1\]](#))

Further, when a policyholder decides to rebuild at a new location or to purchase an already built home at a new location, current law prohibits deduction for the value of land at the new location from the measure of damages. ([Cal. Ins. Code section 2051.5\[c\]\[2\]](#))

Additional protections in existing law that also relate to policyholders that suffered a total loss and that some insurance companies and/or adjusters appear to be misinforming policyholders, which I feel necessary to raise, include:

- **Time Limit to Collect Full Replacement Cost:** After a state of emergency, a policyholder will have a minimum of 36 months (from the date that the first actual cash value payment is made) in order to collect the full replacement cost of the loss, subject to the policy limits. Additional extensions of six months must be provided to policyholders for good cause ([Cal. Ins. Code sections 2051.5\[b\]\[1\] and \[2\]](#)).
- **Ability to Combine Structure Coverages to Rebuild:** After a state of emergency, a residential property policyholder is allowed to combine payments for claims for losses up to the aggregate policy limits for the primary dwelling and other structures, for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the policy limits for coverage to rebuild or replace the primary dwelling are insufficient. ([Cal. Ins. Code section 10103.7\[a\]](#)).
- **Time Limit to Collect Additional Living Expenses (ALE):** After a state of emergency, a policyholder shall have ALE coverage for a minimum of 24 months, plus an extension of 12 months if a policyholder encounters a delay in the reconstruction process that is the result of circumstances beyond their control. Additional extensions of six months must be provided to policyholders for good cause. However, some policies may have a dollar limit that could be exhausted prior to these time limits, so policyholders should be aware of this. ([Cal. Ins. Code section 2060\[b\]\[1\]](#)).
- **An Insurer Must Renew Certain Policies for Two Years after a Declared Disaster:** After a total loss, the insurer must offer to renew a policyholder’s policy for at least the next two renewal periods (for no less than 24 months). ([Cal. Ins. Code section 675.1\[a\]\[3\]](#)).

Lastly, I'm again reminding all insurers of their obligation to take steps to confirm that all appropriate insurance company staff and claims adjusters, including independent contract adjusters and any contracted out-of-state adjusters, are made aware of the above noted laws, among others, as well as all the [Significant California Laws Pertaining to Residential Property Insurance Policies, including those related to a Declared State of Emergency](#) that describe other important consumer protections and options for residential property owners that suffered losses or were otherwise impacted by these tragic wildfires. I expect all claimants to be provided with all the extended timeframes to collect Replacement Cost, Additional Living Expenses, advance payments where applicable, and other coverage benefits associated with these wildfires being a declared disaster.

Any insurance company with questions about this Bulletin, please contact:

Jully Pae, Attorney  
Consumer Law Unit  
[Jully.Pae@insurance.ca.gov](mailto:Jully.Pae@insurance.ca.gov)