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CALIFORNIA INSURANCE COMMISSIONER

NOTICE

TO: All Residential Property Insurance Companies, Licensed Independent Insurance Adjusters, Insurance Agents/Brokers, and Other Interested Parties

FROM: Insurance Commissioner Ricardo Lara

DATE: January 9, 2025

RE: 2025 Annual Notice – Significant California Laws Effective as of the Date of this Notice Pertaining to Residential Property Insurance Policies, including those related to a Declared State of Emergency

The California Department of Insurance (Department) is required to prepare and deliver to admitted insurers and licensed insurance adjusters an annual notice describing the most significant California laws pertaining to property insurance policies, including those related to a declared state of emergency ([California Insurance Code \[Cal. Ins. Code\] section 14046\[a\]\[1\]](#)). The 2025 annual notice is available in the “Education” section of the Department’s Insurance [Adjuster Requirements](#) webpage. The Department may also issue interim updates if significant changes to the law occur during the course of this year. These updates will also be available on the Department’s website.

Since at least 2007, after major wildfire events, the Department has distributed notices to insurers, agents/brokers, and adjusters regarding significant California laws that pertain to residential property insurance policies. These notices focus on wildfire claims and can be found on the Department’s [Wildfire Resources](#) webpage.

For claims under a policy of residential property insurance arising as a result of a declared state of emergency, every residential property insurance company is required to provide the claimant with a copy of this or the most recent notice no later than 15 calendar days from the date on which the insurer received notice of the claim. It is expected that all residential property insurers and insurance adjusters will comply with the following laws for residential property insurance claims related to a state of emergency ([Cal. Ins. Code section 14046\[b\]](#)).

Important Note: Consult the notice applicable to the date of the pertinent fire or other declared emergency to determine which laws were applicable at the time of the loss. This notice provides links to each section of the California Insurance Code summarized below. For additional information, please review the text of the applicable section of the California Insurance Code.

SIGNIFICANT CLAIMS AND COVERAGE RELATED LAWS

Actual Cash Value Calculation

Under an open policy, the measure of indemnity in fire insurance is the expense to the insured of replacing the thing lost or injured in its condition at the time of the injury, the expense being computed as of the time of the commencement of the fire.

Under an open policy that requires payment of actual cash value, the measure of the actual cash value recovery, in whole or partial settlement of the claim, for either a total or partial loss to the structure or its contents, shall be the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. A deduction for physical depreciation shall apply only to components of a structure that are normally subject to repair and replacement during the useful life of that structure ([Cal. Ins. Code section 2051](#)).

Replacement Cost Value Calculation

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 ([Cal. Ins. Code section 2051.5\[a\]](#)).

Time Limit to Collect Full Replacement Cost

An insured will have no less than 12 months (from the date that the first payment toward the actual cash value is made) to collect the full replacement cost of the loss, subject to the policy limit. In the event of a loss relating to a “state of emergency,” as defined in [California Government Code section 8558](#), an insured will have no less than 36 months (from the date that the first payment toward the actual cash value is made) in order to collect the full replacement cost of the loss, subject to the policy limit. Additional extensions of six months shall be provided to policyholders for good cause ([Cal. Ins. Code sections 2051.5\[b\]\[1\] and \[2\]](#)).

Rebuilding in Current Location or Rebuilding or Replacing in a New Location

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 ([Cal. Ins. Code section 2051.5\[c\]\[1\]](#)).

Land Value Deduction

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 ([Cal. Ins. Code section 2051.5\[c\]\[2\]](#)).

List of Items Covered – Additional Living Expenses (ALE)

If requested by the insured, this section requires insurance companies to provide the insured with a list of items that an insurer believes would be covered under the policy ([Cal. Ins. Code section 2060\[a\]](#)).

Time Limit to Collect Additional Living Expenses (ALE)

In the event of a covered loss relating to a state of emergency, as defined in [California Government Code section 8558](#), on and after July 1, 2021, coverage for additional living expenses (or loss of use) shall be for at least 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 ([Cal. Ins. Code section 2060\[b\]\[1\]](#)).

Uninhabitable/Reasonable Habitation (ALE)

If the insured home is rendered uninhabitable by a covered peril, on and after July 1, 2021, a policy that provides coverage for additional living expenses shall not limit the policyholder's right to recovery. 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 ([Cal. Ins. Code section 2060\[b\]\[2\]](#)).

Restricted Access by Civil Authority (ALE)

In the event of a state of emergency, as defined in Gov. Code [section 8558](#), for a loss that is otherwise not subject to Cal. Ins. Code [sections 2060\(b\)\(1\) and \(2\)](#) above that is accompanied by an order of civil authority restricting access to the home, related to a covered peril, on and after July 1, 2021, 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 ([Cal. Ins. Code section 2060\[c\]](#)).

Additional Living Expense (ALE) Advance Payment

In the event of a covered loss relating to a state of emergency, as defined in [California Government Code section 8558](#), the following special provision shall apply under a residential property insurance policy:

- (1) If an insured has made a claim for additional living expenses related to a total loss, an insurer shall, upon request by an insured, 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 ([Cal. Ins. Code section 2061\[a\]](#)).

Itemization of Contents

In the event of a covered loss relating to a state of emergency, as defined in [California Government Code section 8558](#), the following special provisions shall apply under a residential property insurance policy:

- (2) If an insured has made a claim for contents related to a total loss of a primary residence, an insurer shall not require that the insured use a company-specific inventory form if the insured can provide an inventory using a form that contains substantially the same information. This

subdivision does not limit the authority of an insurer to seek additional reasonable information from an insured upon receipt of an inventory form submitted by an insured.

(3) If an insured has made a claim for contents related to a total loss of a primary residence, an insurer shall accept an inventory that includes groupings of categories of personal property, including clothing, shoes, books, food items, CDs, DVDs, or other categories of items for which it would be impractical to separately list each individual item claimed ([Cal. Ins. Code section 2061\[a\]](#)).

Changing Claims Adjusters

If, within a six-month period, an insurer assigns a third or subsequent adjuster to be primarily responsible for a claim, the insurer shall provide the insured with a written status report. The written status report must include a summary of any decisions or actions that are substantially related to the disposition of a claim, including, but not limited to, the amount of losses to structures or contents, the retention or consultation of design or construction professionals, the amount of coverage for losses to structures or contents, and all items of dispute ([Cal. Ins. Code section 2071](#)).

Note: In addition to the above, [California Insurance Code section 14047](#) requires that for a claim arising from a state of emergency, if, within a six-month period, an insurer assigns a third or subsequent first-party real or personal property claims adjuster, the insurer shall establish a primary point of contact for the insured and provide the insured one or more direct means of communication with the primary point of contact.

Appraisal

In the event of a government-declared disaster, as defined in the California Government Code, appraisal may be requested by either the insured or the insurance company but shall not be compelled ([Cal. Ins. Code section 2071](#)).

Copy of Complete Policy After a Loss

After a covered loss under a policy covered by [California Insurance Code section 2071](#), an insurer shall provide to the insured, free of charge, a complete, current copy of their policy within 30 calendar days of receipt of a request from the insured. The policy must include the full insurance policy, any endorsements, and the declarations page ([Cal. Ins. Code section 2084](#)).

Building Code Upgrade Coverage

An open policy of residential property insurance that provides replacement cost coverage shall not be issued or renewed unless it provides additional building code upgrade coverage of no less than 10 percent of the dwelling coverage policy limits. The building code upgrade coverage required by this subdivision shall be additional coverage, and use of this coverage shall not reduce or deplete the dwelling coverage policy limits for the insured property. Insurers may offer building code upgrade coverage of greater than 10 percent of the dwelling coverage policy limits, in addition to providing the minimum coverage of 10 percent of the dwelling coverage policy limits ([Cal. Ins. Code section 10103\[c\]](#)).

Ability to Combine Coverages

In the event of a claim relating to a state of emergency, an insured under a residential property insurance policy shall be permitted to combine payments for claims for losses up to the 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\[a\]](#)).

Payment of Contents Without Inventory

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:

- (1) The insurer 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 insured to file an itemized claim.
- (2) After receiving the payment described in paragraph (1), the insured may recover additional amounts up to the policy limit for contents coverage by filing a claim pursuant to the terms of the policy for the loss of contents that exceeds the value of the payment provided pursuant to paragraph (1).
- (3) When an insured files a claim relating to a state of emergency, as defined in [California Government Code section 8558](#), the insurer shall notify the insured of the option to receive payment for loss of contents pursuant to paragraph (1) and of the insured's option to subsequently file a full itemized claim pursuant to paragraph (2).
- (4) This subdivision does not affect payment under the policy for scheduled personal property.
- (5) This section does not prohibit an insurer from restricting payment in cases of suspected fraud ([Cal. Ins. Code section 10103.7\[b\]](#)).

SIGNIFICANT RATING AND UNDERWRITING RELATED LAWS

Mitigation in Rating Plans and Wildfire Risk Models

Wildfire Risk Model or Rating Factor

[California Code of Regulations, Title 10, section 2644.9, subdivision \(h\)](#) states, Provision of wildfire risk score or other wildfire risk classification to policyholder or applicant.

An insurer utilizing a Wildfire Risk Model, or rating factor, to segment, create a rate differential, or surcharge the premium based upon the policyholder or applicant's wildfire risk shall, within one hundred eighty (180) days after the date this section is filed with the Secretary of State, implement a written procedure to provide, in writing, to each such policyholder or applicant for property insurance the wildfire risk score or other wildfire risk classification used by the insurer to segment, create a rate differential, or surcharge the premium based upon the policyholder or applicant's wildfire risk. The insurer shall provide to the policyholder or applicant such wildfire risk score or classification at the following times:

- (1) No later than fifteen (15) days following the submission to the insurer of the applicant's completed application;
- (2) At least forty-five (45) days prior to each renewal;
- (3) At least seventy-five (75) days prior to any nonrenewal; and
- (4) In the event that the policyholder or applicant has completed a mitigation measure on the subject property since the time of the last application to or renewal by the insurer, no later than thirty (30) days following the submission to the insurer of the policyholder or applicant's request that the insurer provide a revised wildfire risk score or wildfire risk classification.

Subdivision (i) Policyholder or applicant's right to appeal.

The procedure described in subdivision (h) of this section shall permit a policyholder under, or applicant for, a policy of property insurance who disagrees with the assignment of the wildfire risk score, or other wildfire risk classification, provided to the policyholder or applicant pursuant to that subdivision the right to appeal orally or in writing that assignment directly to the insurer. The insurer shall notify the policyholder or applicant in writing of this right to appeal the wildfire risk score or other wildfire risk classification whenever such score or classification is provided to the policyholder or applicant as set forth in subdivision (h) of this section. If the policyholder or applicant appeals the wildfire risk score or other wildfire risk classification, the insurer shall acknowledge receipt of the appeal in writing within ten (10) calendar days of receipt of the appeal. The insurer shall respond to the appeal in writing with a reconsideration and decision within thirty (30) calendar days after receiving the appeal. In the event that an appeal is denied, the insurer shall, upon request by the Department, forward a copy of the appeal, and the insurer's response, to the Department.

Subdivision (j) Representation by broker or agent.

If the policyholder or applicant is represented by a broker, or the insurer is represented by an insurance agent with respect to the policyholder's policy or the applicant's application, the policyholder or applicant may appeal orally or in writing to the agent or broker the assignment of wildfire risk score or other wildfire risk classification, who shall then forward that appeal to the insurer no later than five (5) calendar days after receiving the appeal from the policyholder or applicant. The insurer shall acknowledge receipt of the appeal in writing to the policyholder or applicant and the agent or broker no later than five (5) calendar days after receipt of the appeal from the broker or agent. The insurer shall respond to the appeal to the policyholder or applicant and the agent or broker with a written reconsideration and decision of the appeal within thirty (30) calendar days after receiving the appeal from the broker or agent. In the event that an appeal is denied, the insurer shall, upon request by the Department, forward a copy of the appeal, and the insurer's response, to the Department.

Subdivision (k) Explanation of wildfire risk score or other wildfire risk classification.

Whenever a wildfire risk score, or other wildfire risk classification used by the insurer to segment, create a risk differential or surcharge the premium for a particular policyholder or applicant, is identified or provided to the policyholder or applicant pursuant to subdivision (h) of this section, the insurer shall also provide in writing:

- (1) The range of such scores or classifications that could possibly be assigned to any policyholder or applicant;
- (2) The relative position of the score or classification assigned to the policyholder or applicant in question within that range of possible scores or classifications, and the impact of the score or classification on the rate or premium; and
- (3) A detailed written explanation of why the policyholder or applicant received the assigned score or classification; the explanation shall make specific reference to the features of the property in question that influenced the assignment of the score or classification.

The insurer shall provide, in addition, the following information:

- (A) Which mitigation measure or measures can be taken by the policyholder or applicant to lower the wildfire risk score or classification; and

(B) The amount of premium reduction the policyholder or applicant would realize as a result of performing each such measure under the insurer's rating plan that is in effect at the time.

Subdivision (I) Notification to policyholder or applicant of right to contact Department in connection with insurer's response to appeal.

When an insurer responds to the applicant or policyholder in connection with an appeal pursuant to subdivision (i) or (j) of this section, it shall also notify the policyholder or applicant in writing that the policyholder or applicant may contact the Department of Insurance for assistance if the policyholder or applicant disagrees with the insurer's written reconsideration and decision. In any event, the insurer shall provide the policyholder or applicant with the Department of Insurance toll-free consumer hotline and web address of the Department's Consumer Complaint Center ([Cal. Code of Regs., Title 10, sections 2644.9\[h\], \[i\], \[j\], \[k\], and \[l\]](#)).

Adjustment of Policy Limits on Renewal

If reconstruction of the primary insured structure has not been completed by the time of policy renewal, the insurer, prior to or at the time of renewal, and after consultation by the insurer or its representative with the insured as to what limits and coverages might or might not be needed, shall adjust the limits and coverages, write an additional policy, or attach an endorsement to the policy that reflects the change, if any, in the insured's exposure to loss. The insurer shall adjust the premium charged to reflect any change in coverage ([Cal. Ins. Code section 675.1\[a\]\[1\]](#)).

Cancellation After Total Loss to Primary Structure

The insurer shall not cancel coverage while the primary insured structure is being rebuilt, except for the reasons specified in subdivisions (a) through (e), inclusive, of [California Insurance Code section 676](#). The insurer shall not use the fact that the primary insured structure is in damaged condition as a result of the total loss as the sole basis for a decision to cancel the policy pursuant to subdivision (e) of that section ([Cal. Ins. Code section 675.1\[a\]\[2\]](#)).

Non-Renewal After a Declared Disaster

The insurer shall offer to, for at least the next two annual renewal periods, but no less than 24 months of coverage from the date of the loss, renew the policy in accordance with [California Insurance Code section 675.1\(a\)\(1\)](#), if the total loss to the primary insured structure was caused by a disaster, as defined in subdivision (b) of [California Civil Code section 1689.14](#), the loss was not also due to the negligence of the insured, and losses have not occurred subsequent to the disaster-related total loss that relate to physical or risk changes to the insured property that result in the property becoming uninsurable ([Cal. Ins. Code section 675.1\[a\]\[3\]](#)).

Non-Renewal or Cancellation Within Fire Perimeter

An insurer shall not cancel or refuse to renew a policy of residential property insurance for a property located in any ZIP Code within or adjacent to the fire perimeter, for one year after the declaration of a state of emergency, based solely on the fact that the insured structure is located in an area in which a wildfire has occurred. This prohibition applies to all policies of residential property insurance in effect at the time of the declared state of emergency ([Cal. Ins. Code section 675.1\[b\]\[1\]](#)).

Reduction of Limits or Elimination of Coverage

An insurer shall deliver to the insured either (1) an offer of renewal of the policy 45 days before the policy expiration contingent upon payment of premium as stated in the offer, and which states any reduction of limits or elimination of coverage, or (2) a notice of nonrenewal 75 days prior to the expiration that states

the reason or reasons for the nonrenewal. On or after July 1, 2022, the time periods and procedures in subdivision (a) of Section 1013 of the Code of Civil Procedure shall be applicable if a notice is mailed.

For the offer of renewal, the insurer shall identify any reduction of limits or elimination of coverage. The elimination of coverage for the previously covered peril of fire shall be subject to subdivision (b) of [California Insurance Code section 10103.6](#).

Alignment of Notice of Nonrenewal of Residential Property Policy

If an insurer fails to give the named insured a notice of nonrenewal at least 75 days before the policy expiration, the existing policy with no change in its terms and conditions, shall remain in effect for 75 days from the date that the notice of nonrenewal is delivered or mailed to the named insured. A notice to this effect shall be provided by the insurer to the named insured with the notice of nonrenewal.

On and after July 1, 2022, insurer mailing timelines are to be aligned for both cancellation and non-renewal notices for homeowners' and workers' compensation insurance policies to ensure they receive extra mail time-delay-days so consumers have a better chance to retrieve these documents on time ([Cal. Ins. Code sections 678\[a\] and \[c\]](#)).

Notice of Nonrenewal for Residential Property Policy

Insurers shall accompany a notice of nonrenewal for a residential property insurance policy expiring on or after July 1, 2021, with a notice substantially similar to the notice stated in this section. The notice in this section refers insureds to the Department's [California Home Insurance Finder](#) and the [California FAIR Plan](#) to assist the insured to locate an agent, broker, or insurance company by zip code and the languages in which the agent, broker, or insurance company sells insurance ([Cal. Ins. Code section 678\[e\]](#)).

Grace Period for Payments

In the event of a state of emergency, as defined in [California Government Code section 8558](#), an insurer shall offer a 60-day grace period for payment of premiums for residential property insurance policies covering a property located within the affected area defined in the state of emergency for a period of 60 days after the emergency. This does not require any change to insurer billing practices regarding billing, automatic payment, or cancellation for nonpayment if the insurer reinstates, without a lapse in coverage or late fees, any policy subject to this section that was canceled for nonpayment of premiums, if requested by the insured and upon reasonably timely payment of all premiums due ([Cal. Ins. Code section 2062](#)).

Policy Coverage – Peril of Fire

If an insurer issues a new residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall, on or before the date of issuance of the policy, obtain a signed acknowledgment from the applicant or insured stating that the newly issued policy does not provide coverage for the peril of fire. If the applicant or insured does not sign the required acknowledgment on or before the issuance of the policy, the insurer shall obtain the signed acknowledgment from the applicant or insured within 60 days of the date of issuance of the policy. For purposes of this subdivision, a new or newly issued policy does not include renewal of an existing policy, including a renewal that contains different terms than the preceding policy periods.

If an insurer issues or renews a residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall prominently disclose both of the following on the declarations page of the policy:

(1) The following statement in bold, uppercase letters in no less than 12-point type:

THIS POLICY DOES NOT COVER THE PERIL OF FIRE. THERE ARE OTHER RESOURCES FOR FINDING FIRE COVERAGE, INCLUDING USING THE CALIFORNIA DEPARTMENT OF INSURANCE'S HOME INSURANCE FINDER OR PURCHASING COVERAGE FROM THE CALIFORNIA FAIR PLAN ASSOCIATION.

(2) Information on the California FAIR Plan, as required by subdivision (h) of [California Insurance Code section 10095](#) and information on the California Home Insurance Finder, as required by subdivision (b) of [California Insurance Code section 10095.7](#) ([Cal. Ins. Code section 10103.6](#)).

Note: The above laws are the most significant laws pertaining to property insurance policies, including those related to a declared state of emergency. In addition, all insurers and claims adjusters, whether California-licensed or not, must be properly trained on the California Unfair Insurance Practices Act ([Cal. Ins. Code sections 790 through 790.15](#)), Fair Claims Settlement Practices Regulations ([Cal. Code of Regs., Title 10, sections 2695.1 through 2695.12](#)), Insurance Mediation laws ([Cal. Ins. Code sections 10089.70 through 10089.83](#)) and all other laws relating to property and casualty insurance claims handling, coverage, and eligibility.

Disclaimer: The above laws are significant laws effective as of the date of this notice. Some of the above laws may not pertain to prior disaster claims.