Governor Signs Daly Bill Increasing Insurance Protections for Homeowners

Sacramento – Governor Gavin Newsom has signed Assembly Bill 1816. The bill by Assemblrember Tom Daly (D – Anaheim) will increase protections for homeowners in the aftermath of a series of devastating wildfires.

Assemblymember Daly’s AB 1816 requires insurance companies to provide a 75-day notice to policyholders when they non-renew a homeowners policy. It also raises the limit on homeowners’ insurance claims covered by the California Insurance Guarantee Association (CIGA) to $1 million. Assemblymember Daly added an urgency clause so that homeowners will benefit from the changes immediately.

“I appreciate Governor Newsom’s support for this bill, which will provide homeowners tangible near-term benefits in what has become, for many people, a difficult homeowner’s insurance market,” Daly said.

California has experienced a massive increase in the loss of life and property caused by wildfires. Beginning in 2015 with a spate of fires in Lake County, wildfires have devastated communities around the state including enormous fires in Butte, Shasta, Sonoma, Napa, Ventura, Santa Barbara and Los Angeles Counties.

Among the many consequences of the losses caused by these fires are significant changes in the homeowner's insurance market in high fire risk areas.

To address existing gaps in that market, Daly’s bill will change three features of current law related to homeowners’ insurance availability and insurer insolvency:

First, it increases the minimum time period for an insurer to provide a notice of non-renewal to a homeowner beginning July 1, 2020. This portion of the bill takes effect later to allow time for the system changes that insurers must make in order to comply.

Second, it expands an existing incentive for an insurer to issue and renew homeowner’s policies in high risk fire areas through “write out” credits provided by the FAIR Plan. These credits act to reduce the insurer’s exposure to any future financial assessment imposed by the FAIR Plan to ensure its solvency.

Lastly, the bill increases the limit on claims payments made by the California Insurance Guarantee Association (CIGA). CIGA is the state mandated entity responsible for paying the claims of insolvent property/casualty insurers.

These three elements increase protections for homeowners by providing greater notice and stronger guarantees, while providing insurers with practical incentives for renewing policies in high fire risk areas.
According to Anneliese Jivan, president of the California FAIR Plan Association, “AB 1816 will provide insurance companies with incentives to write policies in the high or very high fire hazard severity zone areas. This will help California homeowners obtain insurance coverage if they live in these areas. We appreciate Assemblymember Daly’s leadership in pushing a common sense solution for homeowners in need of insurance coverage.”

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*Assemblymember Tom Daly represents the 69th Assembly District, encompassing the cities of Anaheim, Garden Grove, Orange and Santa Ana.*