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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

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:

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