

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

# HOUSE BILL

## No. 1022

Session of  
1977

INTRODUCED BY MESSRS. REED, BROWN, ZITTERMAN, ZELLER AND  
LAUGHLIN, APRIL 27, 1977

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF  
REPRESENTATIVES, AS AMENDED, SEPTEMBER 11, 1978

## AN ACT

1 ~~Providing for the powers and duties of owners of buildings~~ <—  
2 ~~damaged or destroyed by fire and prescribing penalties.~~  
3 ESTABLISHING THE DUTIES AND RESPONSIBILITIES OF OWNERS OF <—  
4 CERTAIN PROPERTY DAMAGES OR DESTROYED BY FIRE AND PRESCRIBING  
5 PENALTIES, CREATING CERTAIN LIENS AND PRIORITY IN INSURANCE  
6 PROCEEDS IN FAVOR OF CITIES OF THE FIRST, SECOND, SECOND A  
7 AND THIRD CLASS, REGULATING THE DISBURSEMENT OF INSURANCE  
8 PROCEEDS OF THE INSURED, AND PROVIDING FOR DIRECT PAYMENT AND  
9 DISTRIBUTION OF INSURANCE PROCEEDS TO CITIES OF THE FIRST,  
10 SECOND, SECOND A AND THIRD CLASS UNDER CERTAIN TERMS AND  
11 CONDITIONS.

12 The General Assembly of the Commonwealth of Pennsylvania  
13 hereby enacts as follows:

14 ~~Section 1. Restoration of building from insurance proceeds.~~ <—  
15 ~~The owner of a building damaged or destroyed by fire shall~~  
16 ~~use as much of the payment received under a fire insurance~~  
17 ~~policy covering losses as is necessary to restore the building~~  
18 ~~in accordance with the provisions of applicable building, health~~  
19 ~~or safety codes.~~

20 ~~Section 2. Actions other than restoration.~~  
21 ~~In lieu of restoration, the owner of a damaged or destroyed~~  
22 ~~building may board up or seal the windows and doors of the~~

1 ~~building if permissible under applicable municipal housing,~~  
2 ~~health or safety codes. He may demolish the building and, within~~  
3 ~~a reasonable time after the loss, convey the land on which the~~  
4 ~~building was situated.~~

5 ~~Section 3. Responsibility of new owner.~~

6 ~~This act shall not excuse a new owner from complying with~~  
7 ~~housing, health and safety codes covering the building in which~~  
8 ~~the fire occurred.~~

9 ~~Section 4. Penalty.~~

10 ~~A person who violates a provision of this act is guilty of a~~  
11 ~~summary offense and shall, upon conviction, be sentenced to pay~~  
12 ~~a fine not exceeding \$1,000 or to undergo imprisonment for not~~  
13 ~~more than one year, or both.~~

14 ~~Section 5. Effective date.~~

15 ~~This act shall take effect in 60 days.~~

16 SECTION 1. RESTORATION OF REAL PROPERTY FROM INSURANCE  
17 PROCEEDS.

<—

18 (A) THE OWNER, MORTGAGEE OR INSURED PARTY OF ANY REAL  
19 PROPERTY AS DESCRIBED IN SECTION 7 DAMAGED OR DESTROYED BY FIRE  
20 SHALL USE AS MUCH OF THE PAYMENT RECEIVED UNDER A POLICY  
21 PROVIDING FIRE INSURANCE COVERING LOSSES AS IS NECESSARY TO  
22 RESTORE OR REPLACE IN WHOLE OR IN PART THE PROPERTY IN  
23 ACCORDANCE WITH THE PROVISIONS OF APPLICABLE BUILDING, HOUSING,  
24 HEALTH, FIRE AND SAFETY CODES.

25 (B) IN LIEU OF RESTORATION, THE OWNER, MORTGAGEE OR INSURED  
26 PARTY OF A DAMAGED OR DESTROYED STRUCTURE MAY USE SUCH PROCEEDS  
27 TO BOARD UP OR SEAL THE WINDOWS AND DOORS OF THE STRUCTURE AS  
28 PERMISSIBLE UNDER APPLICABLE MUNICIPAL BUILDING, HOUSING,  
29 HEALTH, FIRE AND SAFETY CODES OR SUCH PERSON MAY DEMOLISH THE  
30 STRUCTURE.

1 (C) THIS ACT SHALL NOT EXCUSE A NEW OWNER FROM COMPLYING  
2 WITH BUILDING, HOUSING, HEALTH, FIRE AND SAFETY CODES COVERING  
3 THE STRUCTURE IN WHICH THE FIRE OCCURRED.

4 SECTION 2. LIENS AND PRIORITY IN INSURANCE PROCEEDS IN FAVOR  
5 OF CITIES.

6 NOTWITHSTANDING ANY OTHER PROVISION OF LAW OF THIS  
7 COMMONWEALTH, A LIEN IS HEREBY CREATED IN FAVOR OF THE CITY UPON  
8 INSURANCE PROCEEDS FOR THE FOLLOWING: DELINQUENT REAL PROPERTY  
9 TAXES, MUNICIPAL ASSESSMENTS, WATER AND SEWER CHARGES, MUNICIPAL  
10 CLAIMS, LIENS AND ENCUMBRANCES, AND FOR ALL COSTS INCURRED BY  
11 THE CITY IN RELATION TO THE REAL PROPERTY INSURED INCLUDING BUT  
12 NOT LIMITED TO THE COST OF ABATING ANY NUISANCE PUBLIC OR  
13 PRIVATE CREATED BY THE COVERED PERIL, AND OF INSPECTING,  
14 REPAIRING, DEMOLISHING, REMOVING OR OTHERWISE DISPOSING OF ANY  
15 PROPERTY DAMAGED BY A COVERED PERIL. THE LIEN OF ANY CITY  
16 ARISING UNDER THE PROVISIONS OF THIS ACT SHALL HAVE PRIORITY  
17 OVER THE CLAIM OF ANY INSURED OWNER, MORTGAGEE, ASSIGNEE OR  
18 OTHER INTERESTED PARTY EXCEPT WHERE OTHERWISE PROVIDED BY THE  
19 LAWS OF THE UNITED STATES.

20 SECTION 3. PAYMENT OF INSURANCE PROCEEDS.

21 (A) IT SHALL BE UNLAWFUL FOR ANY INSURANCE COMPANY  
22 AUTHORIZED UNDER THE ACT OF MAY 17, 1921 (P.L.682, NO.284),  
23 KNOWN AS "THE INSURANCE COMPANY LAW OF 1921," TO ISSUE INSURANCE  
24 POLICIES PROVIDING FIRE INSURANCE COVERAGE IN THIS COMMONWEALTH  
25 TO PAY ANY CLAIM ON A POLICY INCLUDING ANY POLICY WRITTEN  
26 PURSUANT TO THE PROVISIONS OF THE ACT OF JULY 31, 1968 (P.L.738,  
27 NO.233), KNOWN AS "THE PENNSYLVANIA FAIR PLAN ACT," COVERING A  
28 DWELLING OR STRUCTURE WHICH IS VACANT OR ANY CLAIM EXCEEDING  
29 \$5,000 ON ANY OTHER POLICY ISSUED BY SUCH COMPANY FOR FIRE  
30 DAMAGE TO ANY REAL PROPERTY LOCATED IN THIS COMMONWEALTH UNTIL

1 THE INSURED SUBMITS TO THE INSURANCE COMPANY, ON FORMS AND IN  
2 THE MANNER PRESCRIBED BY THE INSURANCE COMMISSIONER, PROOF THAT  
3 ALL DELINQUENT TAXES, ASSESSMENTS, CHARGES, CLAIMS, LIENS,  
4 ENCUMBRANCES AND COSTS AS ENUMERATED IN SECTION 2 HAS BEEN PAID.

5 (B) THE FAILURE ON THE PART OF THE INSURED PROPERTY OWNER TO  
6 PAY IN FULL ANY ITEM ENUMERATED IN SECTION 2 SHALL REQUIRE THE  
7 INSURANCE COMPANY TO WITHHOLD PAYMENT OF THE PROCEEDS OTHERWISE  
8 DUE UNDER THE POLICY TO THE INSURED PROPERTY OWNER, MORTGAGEE,  
9 ASSIGNEE OR OTHER INTERESTED PARTY UNTIL ALL SUCH TAXES,  
10 ASSESSMENTS, CHARGES, CLAIMS, LIENS, ENCUMBRANCES AND COSTS AS  
11 ENUMERATED IN SECTION 2 HAVE BEEN PAID.

12 (C) THE INSURANCE COMPANY SHALL PAY DIRECTLY TO THE CITY ANY  
13 AMOUNT SHOWN AS OUTSTANDING ON THE FORMS PRESCRIBED BY SECTION  
14 3(A) AND SHALL DEDUCT THE AMOUNT THEREOF FROM THE PROCEEDS  
15 OTHERWISE PAYABLE TO THE INSURED. THE INSURED SHALL APPLY THE  
16 BALANCE OF ANY INSURANCE PROCEEDS PAID TO HIM TO RESTORATION OF  
17 THE PROPERTY AS REQUIRED BY SUBSECTIONS (A),(B) AND (C) OF  
18 SECTION 1. A RELEASE OF THE CITY'S LIEN FOR THE ITEMS ENUMERATED  
19 IN SECTION 2 MAY BE SECURED BY THE INSURED BY:

20 (1) FULL PAYMENT OF ALL DELINQUENT TAXES, ASSESSMENTS,  
21 CHARGES, CLAIMS, LIENS, ENCUMBRANCES AND COSTS AS ENUMERATED  
22 IN SECTION 2; OR

23 (2) ENTRY INTO AN AGREEMENT, WHICH SHALL BE BINDING AND  
24 ENFORCEABLE AT LAW, WITH THE CITY IN WHICH THE INSURED AGREES  
25 TO APPLY A PORTION OR ALL OF THE PROCEEDS OF ANY INSURANCE  
26 POLICY TO THE DEMOLITION OR REPAIR, REHABILITATION,  
27 RESTORATION AND MAINTENANCE OF THE PROPERTY, TO BRING THE  
28 PROPERTY INTO COMPLIANCE WITH ALL APPLICABLE MUNICIPAL CODES,  
29 AND TO PAY ALL DELINQUENT MUNICIPAL CLAIMS AND LIENS, UNDER  
30 SUCH TERMS AND CONDITIONS AS THE CITY IN ITS SOLE DISCRETION

1 DETERMINES TO IMPOSE.

2 SECTION 4. NOTIFICATION TO INSURANCE COMPANY.

3 (A) THE CITY SHALL PROCESS THE FORMS REQUIRED TO BE  
4 SUBMITTED BY THE INSURED TO THE INSURANCE COMPANY UNDER THIS ACT  
5 WITHIN FIVE BUSINESS DAYS OF PRESENTATION BY THE INSURED TO THE  
6 CITY. FAILURE OF THE CITY TO PROCESS ANY REQUIRED FORM WITHIN  
7 FIVE BUSINESS DAYS SHALL RESULT IN A 1% DEDUCTION PER DAY IN THE  
8 AMOUNT DUE TO THE CITY UNDER THE PROVISIONS OF THIS ACT.

9 (B) THE INSURED SHALL SUBMIT COMPLETED FORMS FROM THE CITY  
10 TO THE INSURANCE COMPANY WITHIN 15 DAYS OF THE DATE THE FORM IS  
11 RETURNED BY THE CITY TO THE INSURED. IN THE EVENT THAT AN  
12 AGREEMENT HAS BEEN ENTERED INTO PURSUANT TO SECTION 3(C)(2), THE  
13 INSURED SHALL SUBMIT SAID AGREEMENT TO THE INSURANCE COMPANY  
14 WITHIN 15 DAYS OF ITS EXECUTION. UPON RECEIPT OF THE COMPLETED  
15 REQUIRED FORMS OR EXECUTED AGREEMENT, THE INSURANCE COMPANY MAY  
16 RELEASE TO THE INSURED, IN A MANNER CONSISTENT WITH THE  
17 INFORMATION SHOWN ON THE SUBMITTED COMPLETED FORMS OR WITH THE  
18 TERMS OF ANY AGREEMENT, WHICHEVER IS APPLICABLE, INSURANCE  
19 PROCEEDS PAYABLE UNDER ANY POLICY OF INSURANCE.

20 (C) IF THE INSURED FAILS TO SUBMIT THE FORMS COMPLETED BY  
21 THE CITY, OR ANY AGREEMENT ENTERED INTO WITH THE CITY, TO THE  
22 INSURANCE COMPANY WITHIN THE 15 DAY TIME PERIOD PRESCRIBED IN  
23 SECTION 4(B), THE CITY MAY SUBMIT A CLAIM IN ITS OWN BEHALF FOR  
24 ALL DELINQUENT TAXES, ASSESSMENTS, CHARGES, CLAIMS, LIENS,  
25 ENCUMBRANCES AND COSTS AS ENUMERATED IN SECTION 2, WHICH SHALL  
26 BE PAID IN FULL TO THE CITY BY THE INSURANCE COMPANY OUT OF THE  
27 INSURANCE PROCEEDS OTHERWISE PAYABLE TO THE INSURED.

28 (D) AN INSURANCE COMPANY SHALL NOT BE LIABLE TO ANY INSURED  
29 OWNER, MORTGAGEE, ASSIGNEE, OR OTHER INTERESTED PARTY FOR  
30 AMOUNTS DISBURSED TO A MUNICIPALITY IN ACCORDANCE WITH THE

1 PROVISIONS OF THIS ACT, NOR TO A MUNICIPALITY FOR AMOUNTS NOT  
2 DISBURSED TO A MUNICIPALITY BASED UPON COMPLETED FORMS OR  
3 AGREEMENTS AS PRESCRIBED IN SECTION 3(A) INDICATING THE  
4 NONEXISTENCE OF ANY DELINQUENT TAXES, ASSESSMENTS, CHARGES,  
5 CLAIMS, LIENS, ENCUMBRANCES AND COSTS AS ENUMERATED IN SECTION  
6 2. AN INSURANCE COMPANY SHALL NOT BE HELD LIABLE FOR THE RELEASE  
7 OF ANY INFORMATION REQUIRED TO BE RELEASED UNDER THIS ACT.

8 SECTION 5. DISCLOSURE BY INSURANCE COMPANY.

9 EVERY INSURANCE COMPANY SUBJECT TO THE PROVISIONS OF THIS ACT  
10 SHALL NOTIFY ITS INSURED OF THE PROVISIONS OF THIS ACT UPON  
11 ISSUANCE OR RENEWAL OF POLICIES PROVIDING FIRE INSURANCE.

12 SECTION 6. PENALTIES.

13 ANY INSURED WHO FAILS TO COMPLY WITH SECTION 1 IS GUILTY OF A  
14 SUMMARY OFFENSE AND SHALL, UPON CONVICTION, BE SENTENCED TO PAY  
15 A FINE NOT EXCEEDING \$1,000 OR TO UNDERGO IMPRISONMENT FOR NOT  
16 MORE THAN ONE YEAR, OR BOTH.

17 SECTION 7. APPLICATION.

18 THE PROVISIONS OF THIS ACT SHALL BE APPLICABLE TO ALL  
19 UNOCCUPIED DWELLINGS OR STRUCTURES, ALL RESIDENTIAL PROPERTY  
20 EXCEPT SINGLE FAMILY OWNER OCCUPIED DWELLINGS, AND ALL  
21 COMMERCIAL AND INDUSTRIAL PROPERTIES LOCATED WITHIN CITIES OF  
22 THE FIRST, SECOND, SECOND A AND THIRD CLASS OF THE COMMONWEALTH  
23 OF PENNSYLVANIA.

24 SECTION 8. RULES AND REGULATIONS.

25 THE INSURANCE COMMISSIONER SHALL PROMULGATE SUCH RULES AND  
26 REGULATIONS AS ARE DEEMED NECESSARY FOR THE EFFECTIVE  
27 IMPLEMENTATION AND OPERATION OF THIS ACT.

28 SECTION 9. EFFECTIVE DATE.

29 THIS ACT SHALL TAKE EFFECT IN 180 DAYS AND SHALL APPLY TO ALL  
30 POLICIES OF INSURANCE AS THEY ARE ISSUED, WRITTEN OR RENEWED

1    SUBSEQUENT TO SUCH EFFECTIVE DATE.