

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1022

Session of
1977

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

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
SEPTEMBER 21, 1978

AN ACT

1 Establishing the duties and responsibilities of owners of
2 certain property damages or destroyed by fire and prescribing
3 penalties, creating certain liens and priority in insurance
4 proceeds in favor of cities of the first, second, second A
5 and third class, regulating the disbursement of insurance
6 proceeds of the insured, and providing for direct payment and
7 distribution of insurance proceeds to cities of the first,
8 second, second A and third class under certain terms and
9 conditions.

10 The General Assembly of the Commonwealth of Pennsylvania
11 hereby enacts as follows:

12 Section 1. Restoration of real property from insurance
13 proceeds.

14 (a) The owner, mortgagee or insured party of any real
15 property as described in section 7 damaged or destroyed by fire
16 shall use as much of the payment received under a policy
17 providing fire insurance covering losses as is necessary to
18 restore or replace in whole or in part the property in
19 accordance with the provisions of applicable building, housing,
20 health, fire and safety codes.

21 (b) In lieu of restoration, the owner, mortgagee or insured

1 party of a damaged or destroyed structure may use such proceeds
2 to board up or seal the windows and doors of the structure as
3 permissible under applicable municipal building, housing,
4 health, fire and safety codes or such person may demolish the
5 structure.

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

9 Section 2. Liens and priority in insurance proceeds in favor
10 of cities.

11 Notwithstanding any other provision of law of this
12 Commonwealth, a lien is hereby created in favor of the city upon
13 insurance proceeds for the following: Delinquent real property
14 taxes, municipal assessments, water and sewer charges, municipal
15 claims, liens and encumbrances, and for all costs incurred by
16 the city in relation to the real property insured including but
17 not limited to the cost of abating any nuisance public or
18 private created by the covered peril, and of inspecting,
19 repairing, demolishing, removing or otherwise disposing of any
20 property damaged by a covered peril. The lien of any city
21 arising under the provisions of this act shall have priority
22 over the claim of any insured owner, ~~mortgagee~~, assignee or <—
23 other interested party except A MORTGAGEE AND where otherwise <—
24 provided by the laws of the United States.

25 Section 3. Payment of insurance proceeds.

26 (a) It shall be unlawful for any insurance company
27 authorized under SECTION 202(B)(1) OF the act of May 17, 1921 <—
28 (P.L.682, No.284), known as "The Insurance Company Law of 1921,"
29 to issue insurance policies providing fire insurance coverage in
30 this Commonwealth to pay any claim on a policy including any

1 policy written pursuant to the provisions of the act of July 31,
2 1968 (P.L.738, No.233), known as "The Pennsylvania Fair Plan
3 Act," covering a dwelling or structure which is vacant or any
4 claim exceeding \$5,000 on any other policy issued by such
5 company for fire damage to any real property ~~located in this~~ <—
6 ~~Commonwealth~~ AS DESCRIBED IN SECTION 7 until the insured submits <—
7 to the insurance company, on forms and in the manner prescribed
8 by the Insurance Commissioner, proof that all delinquent taxes,
9 assessments, charges, claims, liens, encumbrances and costs as
10 enumerated in section 2 has been paid.

11 (b) The failure on the part of the insured property owner to
12 pay in full any item enumerated in section 2 shall require the
13 insurance company to withhold payment of ~~the proceeds~~ ALL OR A <—
14 PORTION OF otherwise due under the policy to the insured
15 property owner, mortgagee, assignee or other interested party
16 until all such taxes, assessments, charges, claims, liens,
17 encumbrances and costs as enumerated in section 2 have been
18 paid. THE PORTION WITHHELD SHALL NOT EXCEED THE AMOUNT DUE TO <—
19 SATISFY DELINQUENT TAXES, ASSESSMENTS, CHARGES, CLAIMS, LIENS,
20 ENCUMBRANCES AND COSTS AS ENUMERATED IN SECTION 2.

21 (c) The insurance company shall pay directly to the city any
22 amount shown as ~~outstanding~~ DELINQUENT on the forms prescribed <—
23 by section 3(a) and shall deduct the amount thereof from the
24 proceeds otherwise payable to the insured. The insured shall
25 apply the balance of any FIRE insurance proceeds paid to him to <—
26 restoration of the property as required by subsections (a),(b)
27 and (c) of section 1. A release of the city's lien for the items
28 enumerated in section 2 may be secured by the insured by:

29 (1) full payment of all delinquent taxes, assessments,
30 charges, claims, liens, encumbrances and costs as enumerated

1 in section 2; or

2 (2) entry into an agreement, which shall be binding and
3 enforceable at law, with the city in which the insured agrees
4 to apply a portion or all of the proceeds of any insurance
5 policy to the demolition or repair, rehabilitation,
6 restoration and maintenance of the property, to bring the
7 property into compliance with all applicable municipal codes,
8 and to pay all delinquent municipal claims and liens, under
9 such terms and conditions as the city in its sole discretion
10 determines to impose.

11 Section 4. Notification to insurance company.

12 (a) THE INSURANCE COMPANY SHALL SUBMIT THE REQUIRED FORMS TO <—
13 THE CITY WITHIN THREE BUSINESS DAYS OF RECEIPT OF THE CLAIM BY
14 THE INSURED. The city shall process the forms required to be
15 submitted by the insured to the insurance company under this act
16 within five business days of presentation by the ~~insured~~ COMPANY <—
17 to the city. Failure of the city to process any required form
18 within five business days shall result in a 1% deduction per day
19 in the amount due to the city under the provisions of this act.

20 (b) The insured shall submit completed forms from the city
21 to the insurance company within 15 days of the date the form is
22 returned by the city to the insured. In the event that an
23 agreement has been entered into pursuant to section 3(c)(2), the
24 insured shall submit said agreement to the insurance company
25 within 15 days of its execution. Upon receipt of the completed
26 required forms or executed agreement, the insurance company may
27 release to the insured, in a manner consistent with the
28 information shown on the submitted completed forms or with the
29 terms of any agreement, whichever is applicable, insurance
30 proceeds payable under any policy of insurance.

1 (c) If the insured fails to submit the forms completed by
2 the city, or any agreement entered into with the city, to the
3 insurance company within the 15 day time period prescribed in
4 section 4(b), the city may submit a claim in its own behalf for
5 all delinquent taxes, assessments, charges, claims, liens,
6 encumbrances and costs as enumerated in section 2, which shall
7 be paid in full to the city by the insurance company out of the
8 insurance proceeds otherwise payable to the insured.

9 (d) An insurance company shall not be liable to any insured
10 owner, mortgagee, assignee, or other interested party for
11 amounts disbursed to a ~~municipality~~ CITY in accordance with the <—
12 provisions of this act, nor to a ~~municipality~~ CITY for amounts <—
13 not disbursed to a ~~municipality~~ CITY based upon completed forms <—
14 or agreements as prescribed in section 3(a) indicating the
15 nonexistence of any delinquent taxes, assessments, charges,
16 claims, liens, encumbrances and costs as enumerated in section
17 2. An insurance company shall not be held liable for the release
18 of any information required to be released under this act.

19 Section 5. Disclosure by insurance company.

20 Every insurance company subject to the provisions of this act
21 shall notify its insureds of the provisions of this act upon
22 issuance or renewal of policies providing fire insurance.

23 Section 6. Penalties.

24 Any insured who fails to comply with section 1 is guilty of a
25 summary offense and shall, upon conviction, be sentenced to pay
26 a fine TO THE CITY not exceeding \$1,000 or to undergo <—
27 imprisonment for not more than one year, or both.

28 Section 7. Application.

29 The provisions of this act shall be applicable to all
30 unoccupied dwellings or structures, all residential property

1 except single family owner occupied dwellings, and all
2 commercial and industrial properties located within cities of
3 the first, second, second A and third class of the Commonwealth
4 of Pennsylvania.

5 Section 8. Rules and regulations.

6 The Insurance Commissioner shall promulgate such rules and
7 regulations as are deemed necessary for the effective
8 implementation and operation of this act.

9 Section 9. Effective date.

10 This act shall take effect in 180 days and shall apply to all
11 policies of insurance as they are issued, written or renewed
12 subsequent to such effective date.