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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**  
**No. 1022** Session of  
1977

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

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AS AMENDED ON THIRD CONSIDERATION, IN SENATE, NOVEMBER 14, 1978

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AN ACT

1 Establishing the duties and responsibilities of owners of  
2 certain property damaged 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.

1 (b) In lieu of restoration, the owner, mortgagee or insured  
2 party of a damaged or destroyed structure may use such proceeds  
3 to board up or seal the windows and doors of the structure as  
4 permissible under applicable municipal building, housing,  
5 health, fire and safety codes or such person may demolish the  
6 structure.

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

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

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

26 Section 3. Payment of insurance proceeds.

27 (a) It shall be unlawful for any insurance company  
28 authorized under section 202(b)(1) of the act of May 17, 1921  
29 (P.L.682, No.284), known as "The Insurance Company Law of 1921,"  
30 to issue insurance policies providing fire insurance coverage in

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

12 (b) The failure on the part of the insured property owner to  
13 pay in full any item enumerated in section 2 shall require the  
14 insurance company to withhold payment of all or a portion of THE <—  
15 PROCEEDS otherwise due under the policy to the insured property  
16 owner, mortgagee, assignee or other interested party until all  
17 such taxes, assessments, charges, claims, liens, encumbrances  
18 and costs as enumerated in section 2 have been paid. The portion  
19 withheld shall not exceed the amount due to satisfy delinquent  
20 taxes, assessments, charges, claims, liens, encumbrances and  
21 costs as enumerated in section 2.

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

30 (1) full payment of all delinquent taxes, assessments,

charges, claims, liens, encumbrances and costs as enumerated  
in section 2; or

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

~~Section 4. Notification to insurance company.~~

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~~(a) The insurance company shall submit the required forms to  
the city within three business days of receipt of the claim by  
the insured. The city shall process the forms required to be  
submitted by the insured to the insurance company under this act  
within five business days of presentation by the company to the  
city. Failure of the city to process any required form within  
five business days shall result in a 1% deduction per day in the  
amount due to the city under the provisions of this act.~~

~~(b) The insured shall submit completed forms from the city  
to the insurance company within 15 days of the date the form is  
returned by the city to the insured. In the event that an  
agreement has been entered into pursuant to section 3(c)(2), the  
insured shall submit said agreement to the insurance company  
within 15 days of its execution. Upon receipt of the completed  
required forms or executed agreement, the insurance company may  
release to the insured, in a manner consistent with the  
information shown on the submitted completed forms or with the  
terms of any agreement, whichever is applicable, insurance~~

~~proceeds payable under any policy of insurance.~~

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

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

#### SECTION 4. NOTIFICATION TO INSURANCE COMPANY.

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(A) THE INSURANCE COMMISSIONER SHALL WITHIN 30 DAYS OF THE EFFECTIVE DATE OF THIS ACT, PROMULGATE A UNIFORM CERTIFICATION OF LIENS FOR USE BY CITIES TO CERTIFY TO INSURANCE COMPANIES THE EXISTENCE OR NONEXISTENCE OF LIENS AS DEFINED IN SECTION 2 AND THE AMOUNT THEREOF.

(B) CITIES SHALL OBTAIN THE CERTIFICATION OF LIENS FORM PROMULGATED BY THE INSURANCE COMMISSIONER UNDER SUBSECTION (A) AND SHALL, WITHIN FIVE BUSINESS DAYS OF A WRITTEN REQUEST OF ANY INSURED, COMPLETE AND RETURN TO THE INSURED A COMPLETE CERTIFICATION OF LIEN. FAILURE OF THE CITY TO PROCESS ANY

1 REQUIRED FORM WITHIN FIVE BUSINESS DAYS SHALL RESULT IN A 1%  
2 DEDUCTION PER ADDITIONAL BUSINESS DAY IN THE AMOUNT DUE TO THE  
3 CITY UNDER THE PROVISIONS OF THIS ACT.

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

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

23 (E) AN INSURANCE COMPANY SHALL NOT BE LIABLE TO ANY INSURED  
24 OWNER, MORTGAGEE, ASSIGNEE, OR OTHER INTERESTED PARTY FOR  
25 AMOUNTS DISBURSED TO A CITY IN ACCORDANCE WITH THE PROVISIONS OF  
26 THIS ACT, NOR TO A CITY FOR AMOUNTS NOT DISBURSED TO A CITY  
27 BASED UPON COMPLETED FORMS OR AGREEMENTS AS PRESCRIBED IN  
28 SECTION 3(A) INDICATING THE NONEXISTENCE OF ANY DELINQUENT  
29 TAXES, ASSESSMENTS, CHARGES, CLAIMS, LIENS, ENCUMBRANCES AND  
30 COSTS AS ENUMERATED IN SECTION 2. AN INSURANCE COMPANY SHALL NOT

1 BE HELD LIABLE FOR THE RELEASE OF ANY INFORMATION REQUIRED TO BE  
2 RELEASED UNDER THIS ACT.

3 Section 5. Disclosure by insurance company.

4 Every insurance company subject to the provisions of this act  
5 shall notify its insureds of the provisions of this act upon  
6 issuance or renewal of policies providing fire insurance.

7 Section 6. Penalties.

8 Any insured who fails to comply with section 1 is guilty of a  
9 summary offense and shall, upon conviction, be sentenced to pay  
10 a fine to the city not exceeding \$1,000 or to undergo  
11 imprisonment for not more than one year, or both.

12 Section 7. Application.

13 The provisions of this act shall be applicable to all  
14 unoccupied dwellings or structures, all residential property  
15 except single family owner occupied dwellings, and all  
16 commercial and industrial properties located within cities of  
17 the first, second, second A and third class of the Commonwealth  
18 of Pennsylvania.

19 Section 8. Rules and regulations.

20 The Insurance Commissioner shall promulgate such rules and  
21 regulations as are deemed necessary for the effective  
22 implementation and operation of this act.

23 Section 9. Effective date.

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