

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1111 Session of 2015

INTRODUCED BY SCHREIBER, COHEN, McNEILL, MURT, McCARTER, THOMAS,
M. DALEY AND KINSEY, MAY 5, 2015

REFERRED TO COMMITTEE ON INSURANCE, MAY 5, 2015

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An
2 act relating to insurance; amending, revising, and
3 consolidating the law providing for the incorporation of
4 insurance companies, and the regulation, supervision, and
5 protection of home and foreign insurance companies, Lloyds
6 associations, reciprocal and inter-insurance exchanges, and
7 fire insurance rating bureaus, and the regulation and
8 supervision of insurance carried by such companies,
9 associations, and exchanges, including insurance carried by
10 the State Workmen's Insurance Fund; providing penalties; and
11 repealing existing laws," in fire and marine insurance,
12 further providing for municipal certificate required prior to
13 payment of fire loss claims.

14 The General Assembly of the Commonwealth of Pennsylvania
15 hereby enacts as follows:

16 Section 1. Section 508(c), (d) and (i) of the act of May 17,
17 1921 (P.L.682, No.284), known as The Insurance Company Law of
18 1921, amended October 13, 1994 (P.L.609, No.93), are amended to
19 read:

20 Section 508. Municipal Certificate Required Prior to Payment
21 of Fire Loss Claims.--* * *

22 (c) When the loss agreed to between the named insured and
23 the company, association or exchange equals or exceeds sixty per

centum (60%) of the aggregate limits of liability on all fire policies covering the building or other structure, the insurance company, association or exchange shall transfer from the insurance proceeds to the designated officer of the municipality in the aggregate [two thousand dollars (\$2,000)] four thousand dollars (\$4,000) for each fifteen thousand dollars (\$15,000) and each fraction of that amount of a claim, or, if at the time of a loss report the named insured has submitted a contractor's signed estimate of the costs of removing, repairing or securing the building or other structure in an amount less than the amount calculated under the foregoing transfer formula, the insurance company, association or exchange shall transfer from the insurance proceeds the amount specified in the estimate. The transfer of proceeds shall be on a pro rata basis by all companies, associations or exchanges insuring the building or other structure. Policy proceeds remaining after the transfer to the municipality shall be disbursed in accordance with the policy terms. The named insured may submit a contractor's signed estimate of the costs of removing, repairing or securing the building or other structure after the transfer, and the designated officer shall return the amount of the fund in excess of the estimate to the named insured if the municipality has not commenced to remove, repair or secure the building or other structure. This subsection only applies to municipalities that have adopted an ordinance authorizing the procedure described in subsections (c) and (d) of this section and applies only to fire losses that occur after the adoption of the ordinance. The ordinance shall designate the officer authorized to carry out the duties of this section.

(d) Upon receipt of proceeds by the municipality as

1 authorized by this section, the designated officer shall place
2 the proceeds in a separate fund to be used solely as security
3 against the total cost of removing, repairing or securing
4 incurred by the municipality. When transferring the funds as
5 required in subsection (c) of this section, an insurance
6 company, association or exchange shall provide the municipality
7 with the name and address of the named insured, whereupon the
8 municipality shall contact the named insured, certify that the
9 proceeds have been received by the municipality and notify the
10 named insured that the procedures under this subsection shall be
11 followed. The fund shall be returned to the named insured when
12 repairs, removal or securing of the building or other structure
13 have been completed and the required proof received by the
14 designated officer if the municipality has not incurred any
15 costs for repairs, removal or securing. If the municipality has
16 incurred costs for repairs, removal or securing of the building
17 or other structure, the costs shall be paid from the fund, and,
18 if excess funds remain, the municipality shall transfer the
19 remaining funds to the named insured. The repairs, removal or
20 securing of the building or other structure must be completed
21 within one year of the receipt of proceeds by the municipality
22 under this subsection. Nothing in this section shall be
23 construed to limit the ability of a municipality to recover any
24 deficiency. Further, nothing in this subsection shall be
25 construed to prohibit the municipality and the named insured
26 from entering into an agreement that permits the transfer of
27 funds to the named insured if some other reasonable disposition
28 of the damaged property has been negotiated.

29 * * *

30 (i) When an ordinance is first passed or adopted by a

municipality under subsections (a) and (b) of this section or subsections (c) and (d) of this section, or both, an exact copy of the ordinance shall be filed with the Department of Community [Affairs] and Economic Development, together with the name, position and phone number of the municipal official responsible for compliance with this section. Each municipality enacting an ordinance under this section shall supply the information required by this subsection to the Department of Community [Affairs] and Economic Development as part of the implementation of its ordinance. The Department of Community [Affairs] and Economic Development shall periodically produce a register listing those municipalities filing the ordinance. This register shall be made available to insurance companies at minimum cost. An insurance company, association or exchange shall not be required to comply with any municipal ordinance if the municipality fails to provide a copy of the ordinance to the Department of Community [Affairs] and Economic Development.

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Section 2. This act shall take effect in 60 days.