



INVITATION TO A FREE INSURANCE CLAIM WORKSHOP

Hosted by Insurance Commissioner Dave Jones



Saturday, February 3, 2018

4:00 PM – 6:00 PM

Santa Barbara City College – West Campus

Fe Bland Forum – Business Communication Building

721 Cliff Drive

Santa Barbara, CA 93109

Insurance Commissioner Dave Jones and the California Department of Insurance (CDI) invite consumers impacted by the recent wildfires, mudslides and other related events to attend an informative insurance workshop. This is free and open to the public.

There will also be an opportunity for consumers to speak **one-on-one** with a CDI representative with regard to any insurance questions or concerns you may have. For a one-on-one session, we recommend that you make an appointment in advance by contacting the CDI's Hotline at **1-800-927-4357**. Walk-ins will be accommodated on a first-come-first-serve basis.

If you are unable to attend this workshop or schedule an appointment, as always, feel free to call the CDI's Consumer Hotline at 1-800-927-4357 for assistance or visit our website at www.insurance.ca.gov.

Senate Bill 917

Insurance Coverage for Mudflows

Senator Jackson

SUMMARY

This bill clarifies existing California insurance law by stating that an insurance policy shall cover loss or damage resulting from a mudflow if the mudflow was, itself, caused by another covered peril.

BACKGROUND

In the early hours of January 9, 2018, a devastating mudflow ripped through the coastal community of Montecito near Santa Barbara, killing 21 residents and significantly damaging or destroying almost 10 percent of that community's homes. The mudflow resulted when significant rains – at times reaching the rate of half an inch in five minutes – fell upon the burn scar left by the Thomas Fire, the largest wildfire in California's history. The Thomas Fire, which started approximately one month before, had left 440 square miles of rugged terrain behind Montecito without vegetation and seared the barren earth with such heat that an impervious crust formed on the surface. When the rains came, this water-repellant layer impeded the ability of the soil to absorb any significant moisture, resulting in a debris flow of water, rock, and soil hundreds of thousands of cubic yards in size, moving toward the sea at upwards of 20 miles per hour.

In the aftermath of this disaster, many residents are now faced with the prospect of rebuilding and recovering their losses. A public debate has emerged about whether homeowners' insurance policies will cover mudflow-caused damage, or whether coverage for this peril requires specialized flood insurance. Much of this debate centers on whether fire-caused mudflows are considered to result from a covered peril – such as fire – under a homeowners' policy, or whether damage from mudflows falls within a policy's exclusions for earth movement and water damage.

Since 1963, California insurance law has required a property insurer to provide coverage whenever an insured peril is the "efficient proximate cause" of a loss. The efficient proximate cause is that cause, among other different concurrent causes, to which a loss is most directly attributable, even though other causes may follow it and operate more immediately

in producing the loss. Despite this longstanding precedent, insurers continue to dispute whether homeowners' policies provide coverage when losses occur due to mudflows that were, themselves, caused by other covered perils such as wildfire. In the case of Montecito residents, this confusion in the marketplace leaves homeowners wondering whether the loss of their largest single asset – their home – will be covered by insurance.

SOLUTION - SB 917

SB 917 clarifies that property insurance policies shall cover losses caused by mudflows that are directly attributable another covered peril. Following the California Supreme Court's decision in *Sabella v. Wisler*, 59 Cal.2d 21 (1963), this bill prohibits an insurer from excluding coverage for any loss or damage attributable to a mudflow if the mudflow was proximately caused by another covered peril.

SUPPORT

STATUS

Introduced on January 22, 2018.

CONTACT

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