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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1833 Session of  
2013

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INTRODUCED BY SCHREIBER, NEILSON, BRIGGS, KIM, COHEN, READSHAW,  
MURT, KIRKLAND, CALTAGIRONE, GAINNEY AND HARHAI,  
NOVEMBER 14, 2013

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REFERRED TO COMMITTEE ON INSURANCE, NOVEMBER 14, 2013

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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

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

30 (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

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

18 \* \* \*

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