

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON DANIELSON)

A BILL FOR

1 An Act requiring a demolition reserve on certain fire and
2 casualty insurance claims on property located in the
3 unincorporated area of a county.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 515.139, subsection 1, paragraph a, Code
2 2016, is amended by striking the paragraph.

3 Sec. 2. Section 515.139, subsections 2, 3, 4, and 5, Code
4 2016, are amended to read as follows:

5 2. An insurer which has received a proof of loss in excess
6 of seventy-five percent of the face value of the policy
7 covering a building or other insured structure, shall notify
8 the city council of the city within which the property is
9 located or the board of supervisors of the unincorporated area
10 of the county in which the property is located, as applicable.

11 The notice shall be made by certified mail within five working
12 days after receipt of the proof of loss.

13 3. The city or the county shall release all interest in
14 the demolition cost reserve within one hundred eighty days
15 after receiving notice of the existence of the demolition cost
16 reserve unless the city or the county has instituted legal
17 proceedings for the demolition of the building or other insured
18 structure, and has notified the insurer in writing of the
19 institution of the legal proceedings. Failure of the city
20 or the county to notify the insurer of the legal proceedings
21 terminates the city's or the county's claim to any proceeds
22 from the reserve.

23 4. A reserve for demolition costs is no longer required if
24 either of the following is true:

25 a. The insurer has received notice from both the insured and
26 the city council or the board of supervisors, as applicable,
27 that the insured has completed repairs to the property or has
28 completed demolition of the property in compliance with all
29 applicable statutes and local ordinances.

30 b. The city or the county has failed to notify the insurer
31 as provided under subsection 3.

32 5. If the city or the county has instituted legal
33 proceedings, undertaken emergency action, or is required to
34 demolish the damaged property at city or county expense, the
35 city or county, as applicable, shall present to the insurer

1 costs incurred, since the date of the fire or other occurrence,
2 including but not limited to legal costs, engineering costs,
3 and demolition costs related directly to the enforcement of
4 any local ordinance, and the insurer shall compensate the city
5 or the county for the incurred costs up to the amount in the
6 demolition cost reserve. Any amount left from the demolition
7 cost reserve after the cost of demolition of the property is
8 paid to the city or the county shall be paid to the insured if
9 the insured is entitled to the remaining proceeds under the
10 policy.

11

EXPLANATION

12 The inclusion of this explanation does not constitute agreement with
13 the explanation's substance by the members of the general assembly.

14 This bill requires an insurer to set up a demolition cost
15 reserve on certain fire and casualty insurance claims received
16 for damages to property located in the unincorporated area of a
17 county.

18 An insurer is required to notify the board of supervisors of
19 the county in which the property is located when the insurer
20 receives a proof of loss from a policyholder that exceeds 75
21 percent of the face value of the policy covering the insured
22 building or structure and damage to the property renders it
23 uninhabitable or unfit for its purpose without repair. The
24 insurer is also required to reserve \$10,000 or 10 percent of
25 the payment for damages to the property, whichever is greater,
26 for demolition costs.

27 The county must release all interest in the demolition
28 cost reserve within 180 days after receiving notice of the
29 reserve unless the county has instituted legal proceedings for
30 demolition of the building or structure and has so notified
31 the insurer. The reserve is no longer required if the insurer
32 receives notice from both the insured and the county board
33 of supervisors that the insured has completed repairs to or
34 demolition of the property or if the county fails to notify the
35 insurer about legal proceedings for demolition.

1 If the county institutes legal proceedings, undertakes
2 emergency action, or is required to demolish the damaged
3 property at county expense, the county must present costs
4 incurred to the insurer, and the insurer shall then compensate
5 the county for those costs up to the amount of the reserve.
6 Any amount left in the reserve after payment to the county is
7 payable to the insured if the insured is entitled to remaining
8 proceeds under the policy.

9 An insurer is not liable under this provision for any amount
10 in excess of the limits of liability set out by the policy.
11 An insurer that complies with or attempts in good faith to
12 comply with this provision is immune from civil and criminal
13 liability.

14 Currently this statutory provision only applies to damaged
15 property which is located within the corporate limits of a city
16 and such demolition costs from a reserve are payable only to
17 a city.