

*Local Govt 3/28/91 S. Dem, 4/3 (p. 1615)*

MAR 18 1991

HOUSE FILE 499  
BY COMMITTEE ON LOCAL GOVERNMENT

Printed On Calendar

(SUCCESSOR TO HF 367)

Passed House, Date 3/26/91 (p. 835) Passed Senate, Date 4/14/91 (p. 1357)  
Vote: Ayes 99 Nays 0 Vote: Ayes 48 Nays 1  
Approved April 24, 1991 (p. 1515)

A BILL FOR

1 An Act relating to demolition insurance reserves required for  
2 property within the corporate limits of a city.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 499

1 Section 1. Section 515.150, subsections 1, 3, 4, and 5,  
2 Code 1991, are amended to read as follows:

3 1. An insurer shall reserve ~~five~~ ten thousand dollars or  
4 ten percent, whichever amount is greater, of the payment for  
5 damages to the property excluding personal property on which  
6 ~~the insurer~~ has issued a fire and casualty insurance policy  
7 as demolition cost reserve if the following are applicable:

8 a. The property is located within the corporate limits of  
9 a city.

10 b. The damage to the property renders it uninhabitable or  
11 unfit for the purpose for which it was intended, without  
12 repair.

13 c. Proof of loss has been submitted by the policyholder  
14 for a sum in excess of seventy-five percent of the face value  
15 of the policy covering the building or other insured  
16 structure.

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

27 4. A reserve for demolition costs shall is no longer be  
28 required if as a result of either of the following:

29 a. The insurer has received notice from both the insured  
30 and the city council that the insured has ~~commenced~~ completed  
31 repairs to the property or has ~~commenced~~ completed demolition  
32 of the property in compliance with all applicable statutes and  
33 local ordinances.

34 b. The city has failed to notify the insurer as provided  
35 under subsection 3.

1 5. If the city has instituted legal proceedings,  
 2 undertaken emergency action, or is required to demolish the  
 3 damaged property at city expense, after instituting legal  
 4 proceedings, emergency actions, or obtaining waivers for the  
 5 demolition of the building or other insured structure, the  
 6 city shall present to the insurer the actual cost of  
 7 demolition of the property, including engineering, legal, and  
 8 other demolition project costs incurred, since the date of the  
 9 fire or other occurrence, including but not limited to legal  
 10 costs, engineering costs, and demolition costs related  
 11 directly to the enforcement of any local ordinance, and the  
 12 insurer shall compensate the city for that actual cost of the  
 13 demolition project the incurred costs up to the amount in the  
 14 demolition cost reserve. Any amount left from the demolition  
 15 cost reserve after the cost of demolition of the property is  
 16 paid to the city shall be paid to the insured if the insured  
 17 is entitled to the remaining proceeds under the policy.

18 EXPLANATION

19 This bill increases the amount an insurer must reserve for  
 20 damages to property within the corporate limits of a city from  
 21 the greater of \$5,000 or 10 percent of the damages to the  
 22 greater of \$10,000 or 10 percent of the damages.

23 The bill increases the length of time before the city is  
 24 required to institute legal action or release all interest in  
 25 the demolition cost reserve from 90 to 180 days. The bill  
 26 provides that the reserve funds are to be released after  
 27 notice of completion of repairs or demolition rather than  
 28 after notice of commencement of the repairs or demolition.

29 The bill also allows the city to receive payment from the  
 30 escrowed funds for the costs incurred in taking necessary  
 31 actions to complete the repair or demolition, even if  
 32 demolition is not completed. Currently, the city may only  
 33 receive reimbursement for costs if the city has actually  
 34 demolished the structure.

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HOUSE FILE 499

AN ACT

RELATING TO DEMOLITION INSURANCE RESERVES REQUIRED FOR PROPERTY WITHIN THE CORPORATE LIMITS OF A CITY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 515.150, subsections 1, 3, 4, and 5, Code 1991, are amended to read as follows:

1. An insurer shall reserve five ten thousand dollars or ten percent, whichever amount is greater, of the payment for damages to the property excluding personal property on which ~~it~~ the insurer has issued a fire and casualty insurance policy as demolition cost reserve if the following are applicable:

- a. The property is located within the corporate limits of a city.
- b. The damage to the property renders it uninhabitable or unfit for the purpose for which it was intended, without repair.
- c. Proof of loss has been submitted by the policyholder for a sum in excess of seventy-five percent of the face value

of the policy covering the building or other insured structure.

3. The city shall release all interest in the demolition cost reserve within ~~seventy~~ one hundred eighty days after receiving notice of the existence of the demolition cost reserve unless the city has instituted legal proceedings for the demolition of ~~said~~ the building or other insured structure, and has notified the insurer in writing of the institution of ~~such~~ the legal proceedings. Failure of the city to notify the insurer of ~~such~~ the legal proceedings shall ~~terminate~~ permanently the city's claim to any proceeds from the reserve.

4. A reserve for demolition costs shall ~~is no longer be~~ required if as a result of either of the following:

a. The insured has received notice from both ~~the~~ the insured and the city council that the insured has ~~commenced~~ completed repairs to the property or has ~~commenced~~ completed demolition of the property in compliance with all applicable statutes and local ordinances.

b. The city has failed to notify the insurer as provided under subsection 3.

5. If the city has instituted legal proceedings, undertaken emergency action, or is required to demolish the damaged property at city expense, after instituting legal proceedings, emergency actions, or obtaining waivers for the demolition of the building or other insured structure, the city shall present to the insurer ~~the actual cost of demolition of the property, including engineering, legal, and other demolition project costs incurred, since the date of the fire or other occurrence, including but not limited to legal costs, engineering costs, and demolition costs related directly to the enforcement of any local ordinance,~~ and the insurer shall compensate the city for ~~that actual cost of the demolition project and incurred costs up to the amount in the demolition cost reserve.~~ that actual cost of the demolition project and incurred costs up to the amount in the demolition cost reserve. Any amount left from the demolition

cost reserve after the cost of demolition of the property is paid to the city shall be paid to the insured if the insured is entitled to the remaining proceeds under the policy.

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ROBERT C. ARNOULD  
Speaker of the House

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JOE J. WELSH  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 499, Seventy-fourth General Assembly.

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JOSEPH O'HERN  
Chief Clerk of the House

Approved April 24, 1991

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TERRY E. BRANSTAD  
Governor