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Update on Insurance Coverage Legislation Sparked by 2020 Wildfires

By Lloyd Bernstein, Jacqueline Mitchson

As we previously reported, Oregon's 2020 wildfire season sparked HB 3272, which, when first introduced, sought to expand property coverage and create a bad faith cause of action in Oregon. HB 3272 was signed into law on June 11, 2021, with significant changes from the original bill. The most notable change is the absence of a bad faith cause of action against insurers. And as we previously reported, the other proposed bad faith legislation – HB 3171 – died in committee.

The current Act expands the timelines for homeowners to rebuild or replace damaged property and to receive additional living expense benefits, as follows:

- Allows an insured to repair, rebuild, or replace damaged property in not fewer than 12 months after the date of the insurer's initial payment toward the cash value of the property that was damaged or lost. This time period may be expanded to 24 months if the insured experiences unavoidable delays in rebuilding.
- Allows an insured to repair, rebuild, or replace damaged property in not fewer than 24 months after the date of the insurer's initial payment toward the cash value of the insured's primary dwelling that was damaged, if the damage occurred in a location that was subject to a declaration of a state of emergency and the damage is directly related to the emergency. This time period may be expanded to 36 months if the insured experiences unavoidable delays in rebuilding.
- Requires insurers to provide additional living expenses to an insured, subject to the policy limits for additional living expenses, for a period of 24 months after the date of the damage to the insured's primary dwelling if the damage occurred in a location that was subject to a declaration of a state of emergency and the damage or loss is directly related to the emergency. This time period may be expanded to 36 months if the insured experiences unavoidable delays in rebuilding.

In addition, the Act prohibits insurers from limiting or denying payment of replacement or building code upgrade coverage on the basis that the insured has decided to rebuild or purchase an existing structure in a new location. The Act took effect June 11, 2021, but most sections apply to homeowners policies that issue or renew on or after June 11, 2021.

Starting July 1, 2022, insurers will also be required to provide the insured with an opportunity to obtain a new estimate of the cost to rebuild or replace covered property every other year at the renewal of the policy.

Please feel free to call us with any questions.