

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 794 Session of 2025

INTRODUCED BY ARGALL, STEFANO AND MALONE, JUNE 3, 2025

REFERRED TO BANKING AND INSURANCE, JUNE 3, 2025

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(a) and (c) of the act of May 17, 1921
17 (P.L.682, No.284), known as The Insurance Company Law of 1921,
18 are amended and the section is amended by adding subsections to
19 read:

20 Section 508. Municipal Certificate Required Prior to Payment
21 of Fire Loss Claims.--(a) No insurance company, association or
22 exchange doing business in this Commonwealth shall pay a claim
23 of a named insured for fire damage to a structure located within
24 a municipality where the amount recoverable for the fire loss to

1 the structure under all policies exceeds [seven thousand five
2 hundred dollars (\$7,500)] eighteen thousand dollars (\$18,000)
3 unless the insurance company, association or exchange is
4 furnished with a certificate pursuant to subsection (b) of this
5 section and unless there is compliance with the procedures set
6 forth in subsections (c) and (d) of this section.

7 * * *

8 (c) When the loss agreed to between the named insured and
9 the company, association or exchange equals or exceeds sixty per
10 centum (60%) of the aggregate limits of liability on all fire
11 policies covering the building or other structure, the insurance
12 company, association or exchange shall transfer from the
13 insurance proceeds to the designated officer of the municipality
14 in the aggregate [two thousand dollars (\$2,000)] four thousand
15 dollars (\$4,000) for each fifteen thousand dollars (\$15,000) and
16 each fraction of that amount of a claim, or, if at the time of a
17 loss report the named insured has submitted a contractor's
18 signed estimate of the costs of removing, repairing or securing
19 the building or other structure in an amount less than the
20 amount calculated under the foregoing transfer formula, the
21 insurance company, association or exchange shall transfer from
22 the insurance proceeds the amount specified in the estimate. The
23 transfer of proceeds shall be on a pro rata basis by all
24 companies, associations or exchanges insuring the building or
25 other structure. Policy proceeds remaining after the transfer to
26 the municipality shall be disbursed in accordance with the
27 policy terms. The named insured may submit a contractor's signed
28 estimate of the costs of removing, repairing or securing the
29 building or other structure after the transfer, and the
30 designated officer shall return the amount of the fund in excess

1 of the estimate to the named insured if the municipality has not
2 commenced to remove, repair or secure the building or other
3 structure. This subsection only applies to municipalities that
4 have adopted an ordinance authorizing the procedure described in
5 subsections (c) and (d) of this section and applies only to fire
6 losses that occur after the adoption of the ordinance. The
7 ordinance shall designate the officer authorized to carry out
8 the duties of this section.

9 (c.1) A policyholder shall, within one year of receiving
10 funds under this section, report to the governing board of the
11 municipality how the funds are being utilized and a timeline for
12 action on the remaining funds. The report under this subsection
13 shall include all supporting documents detailing the precise
14 spending of funds for the purpose for which the claim was made.
15 The following shall apply:

16 (1) Following the issuance of the report of the
17 policyholder to the governing board, the governing board
18 shall, pending a majority vote of members present in
19 accordance to quorum guidelines, approve the timeline for the
20 execution of remaining funds. If the governing board does not
21 approve the timeline, the policyholder must establish a new
22 timeline for the execution of remaining funds pending
23 approval from the governing board.

24 (2) If the timeline for the execution of remaining funds
25 by the policyholder is not met, the governing board may,
26 pending a majority vote of members present in accordance to
27 quorum guidelines, approve a new timeline as proposed by the
28 policyholder or may confiscate the funds to be deposited into
29 a special fund used solely for the purpose of financing the
30 original purpose of the claim.

1 (3) If after one year the policyholder fails to report
2 to the governing board of the municipality the progress that
3 has been made with funds allocated to the policyholder, the
4 municipality shall, pending a majority vote of members
5 present in accordance to quorum guidelines, confiscate the
6 funds to be deposited into a special fund used solely for the
7 purpose of financing the original purpose of the claim.

8 (c.2) For all existing funds held by a current policyholder,
9 the requirements of subsection (c.1)(1) and (2) shall apply.

10 * * *

11 (d.1) If a municipality does not have an auditor or if the
12 municipal auditor has a conflict of interest in auditing escrow
13 funds, the responsibility for auditing funds under this section
14 shall be the responsibility of the respective county auditor.

15 * * *

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