



California Department of Insurance

*Senate Committee on Insurance
Wednesday, March 9, 2016
State Capitol, Room 112
1:30 p.m.*

Informational Hearing:

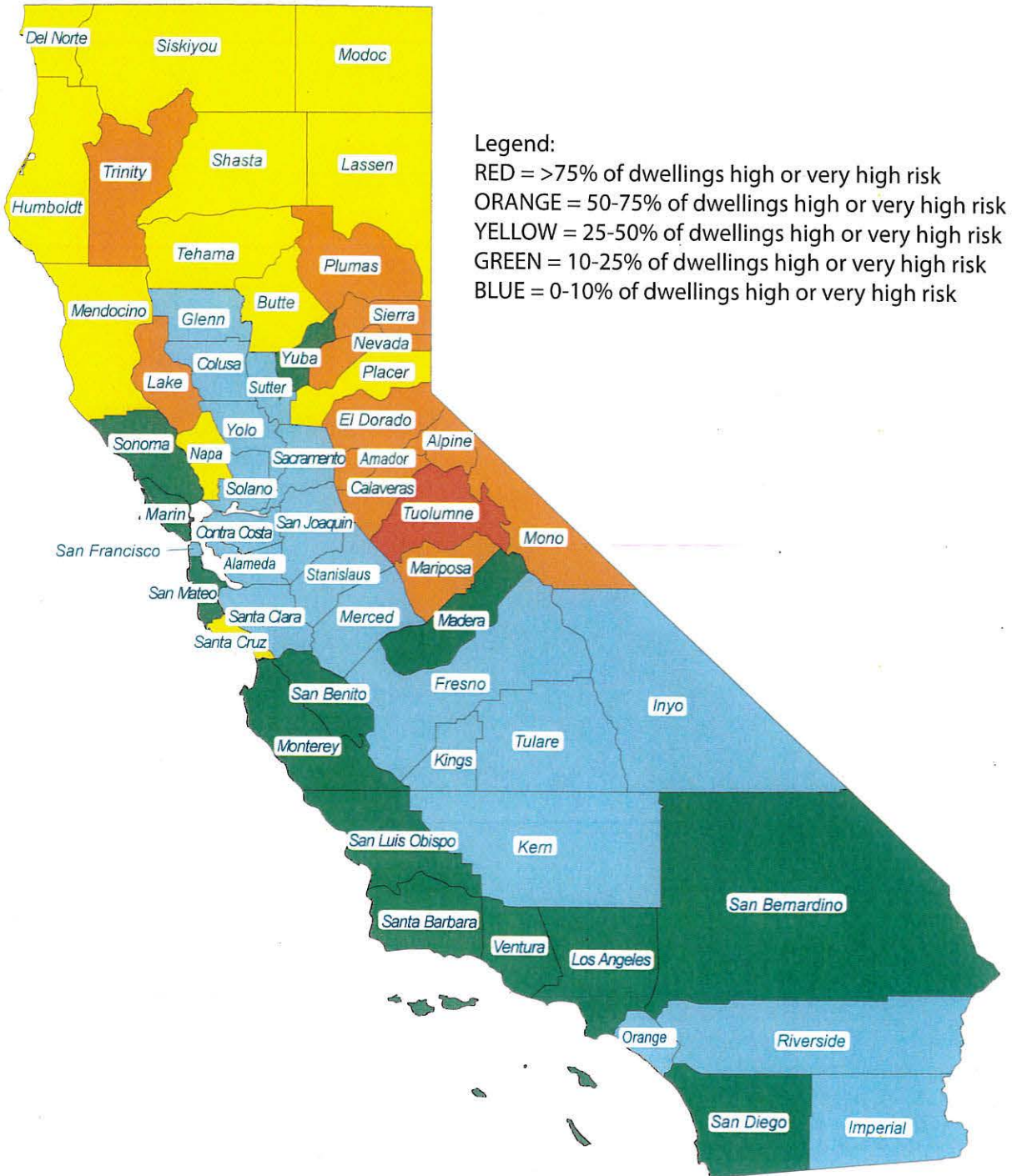
*"Preparing for Global Warming and Drought:
State of the Homeowners' Insurance Market"*

Handout 1A	COUNTIES WITH MANY HOMES FACING HIGH FIRE RISK
Handout 1B	MODELERS WEIGHTED AVERAGE RISK SCORE
Handout 2	UNDERWRITING GUIDELINES SUMMARY & CHART
Handout 3A	STATEWIDE POLICY COUNTS (2012-2015)
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Handout 7	FIRE INFO FOR COUNTIES & LEGISLATORS

*Contact:
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COUNTIES W/ MANY HOMES FACING HIGH FIRE RISK - CDI HANDOUT 1A

CDI estimated percentage of dwelling units in high/very high fire risk areas
(based on fire model risk scores)



MODELERS WEIGHTED AVERAGE RISK SCORE - CDI HANDOUT 1B

County Name	Weighted Average Risk Score			
	(a) Dwelling Units	(b) High (H)/ Very High (VH)	(c) % in High Very High	(d) H/VH Impact to Overall CA Housing Market
Tuolumne	29,978	24,607	82.1%	0.2%
Trinity	8,481	6,270	73.9%	0.1%
Nevada	50,271	35,282	70.2%	0.3%
Mariposa	10,117	6,766	66.9%	0.1%
Plumas	15,082	9,948	66.0%	0.1%
Alpine	1,143	711	62.2%	0.0%
Calaveras	27,907	17,059	61.1%	0.2%
Sierra	2,264	1,384	61.1%	0.0%
Amador	17,473	10,358	59.3%	0.1%
El Dorado	83,563	47,715	57.1%	0.4%
Mono	9,457	4,893	51.7%	0.0%
Lake	34,110	17,116	50.2%	0.2%
Mendocino	37,998	18,438	48.5%	0.2%
Siskiyou	22,267	10,227	45.9%	0.1%
Butte	87,242	36,644	42.0%	0.3%
Lassen	11,999	4,805	40.0%	0.0%
Shasta	71,352	24,645	34.5%	0.2%
Tehama	25,616	8,602	33.6%	0.1%
Santa Cruz	92,392	28,889	31.3%	0.3%
Humboldt	56,727	16,786	29.6%	0.2%
Napa	48,677	14,210	29.2%	0.1%
Del Norte	10,465	2,767	26.4%	0.0%
Modoc	5,088	1,290	25.4%	0.0%
Placer	140,309	34,571	24.6%	0.3%
Monterey	114,945	24,872	21.6%	0.2%
Marin	90,040	18,943	21.0%	0.2%
San Luis Obispo	107,552	22,368	20.8%	0.2%
Ventura	241,918	49,865	20.6%	0.5%
Madera	47,138	9,200	19.5%	0.1%
Yuba	25,597	4,913	19.2%	0.0%

County Name	Weighted Average Risk Score			
	(a) Dwelling Units	(b) High (H)/ Very High (VH)	(c) % in High Very High	(d) H/VH Impact to Overall CA Housing Market
Santa Barbara	124,442	22,643	18.2%	0.2%
Sonoma	181,094	29,825	16.5%	0.3%
San Diego	849,189	137,786	16.2%	1.3%
San Benito	17,112	2,461	14.4%	0.0%
San Bernardino	618,761	84,096	13.6%	0.8%
San Mateo	201,602	22,293	11.1%	0.2%
Los Angeles	2,295,246	232,886	10.1%	2.2%
Colusa	7,591	704	9.3%	0.0%
Alameda	432,155	38,647	8.9%	0.4%
Riverside	728,856	60,079	8.2%	0.6%
Kern	267,772	21,988	8.2%	0.2%
Contra Costa	339,443	24,022	7.1%	0.2%
Glenn	10,295	722	7.0%	0.0%
Inyo	9,021	617	6.8%	0.0%
Santa Clara	478,939	29,440	6.1%	0.3%
Orange	796,844	45,389	5.7%	0.4%
Tulare	136,797	6,394	4.7%	0.1%
Fresno	274,781	11,348	4.1%	0.1%
Solano	133,925	2,374	1.8%	0.0%
San Francisco	207,028	3,324	1.6%	0.0%
Stanislaus	163,080	1,734	1.1%	0.0%
Sacramento	457,240	2,750	0.6%	0.0%
Yolo	59,668	306	0.5%	0.0%
Merced	76,884	311	0.4%	0.0%
Sutter	29,554	61	0.2%	0.0%
Imperial	49,604	95	0.2%	0.0%
Kings	40,626	63	0.2%	0.0%
San Joaquin	208,741	214	0.1%	0.0%
California	10,723,458	1,296,716	12.1%	

(a): Dwelling Units is provided by the Department of Finance's Demographic Research Unit. Dwelling units include single family dwellings, condominium units, residential dwelling complexes of 2 to 4, and mobile homes. Data is as of January 1, 2015. Dwelling units exclude residential dwelling complexes of 5 or more units that are normally written under a commercial policy.

(b): The number of dwelling units in High / Very High based on the weighted average of the modelers' risk score to the number of dwelling units in the county.

(c): The % in High / Very High is a weighted average of the modelers' risk scores.

(d): Measures the overall impact of dwelling units in High / Very High for the county to the aggregated statewide dwelling units listed in column (a).

UNDERWRITING GUIDELINES SUMMARY + CHART - CDI HANDOUT 2

CDI Fact Sheet: Fire and Wildfire Underwriting Guidelines

Introduction

Insurers use underwriting guidelines that help identify which applicants for coverage they are willing to write as new business and which insureds they are willing to renew. These guidelines vary from company to company, but must be specific and objective guidelines that have a substantial relationship to an insured's loss exposure. The underwriting guidelines applied by homeowners' insurers determine eligibility based on characteristics of the dwelling structure and the residence premises that are relevant to the risks that are covered by a homeowners' policy. Because fire is such a destructive peril, evaluation of those characteristics that are most predictive of a home's likelihood of suffering a fire loss is an essential focus of homeowners' underwriting guidelines. Homeowners' insurers can choose to be conservative by adopting very restrictive guidelines that would reject writing homes which have a higher than average exposure to the risk of fire. Insurance laws do not prohibit insurers from enacting guidelines that are more stringent than CAL FIRE's Defensible Space requirements and, except for a few rare circumstances, California law does not provide the California Department of Insurance (CDI) with statutory authority to restrict an insurer's ability to refuse to insure or renew as they deem appropriate.

Common Underwriting Guidelines

In reviewing the underwriting guidelines of the 27 homeowners' insurers with a combined market share of 2/3 of the total California homeowners' market, the CDI identified a set of underwriting criteria that are most common among those insurers' guidelines and that relate to the exposure to wildfire.

These guidelines include:

- **Roof type** – consideration of what type of roof is on the dwelling structure with a focus on whether the home has a wood shingle roof or a less combustible roofing material.
- **Protection Class** – guidelines focus on what is the numeric grade of the protection class where the home is located. A protection class is a grading of the community's fire protection system and includes evaluation of the responding fire department and water supply among other considerations. Scores range from PC1 to PC10 with PC1 being the best level of protection while PC9 and PC10 are accorded to rural or outlying areas without adequate water supply and relatively distant from responding fire departments.
- **Wildfire Risk Model Scores** – many insurers utilize models that incorporate factors such as brush/vegetation type and density, steepness of slope, compass direction, historical time between fires, and access to the property (such as one-way roads). Many insurers have adopted guidelines that result in properties with high or very high fire risk scores to be ineligible for coverage or that could result in a non-renewal of the policy. These same tools can also be used as part of the rating plan to determine surcharges.
- **Clearance to the Property Line** – guidelines consider whether the landscape of the insured property would provide a break from a fire spreading from outside the property

UNDERWRITING GUIDELINES SUMMARY + CHART - CDI HANDOUT 2

line or whether it could contribute to the possibility of a fire spreading to the residence structure.

- Brush within 1,000 feet (or other specific measurement) – guidelines evaluate whether there is a brush exposure within the vicinity of the structure that could reach the residence structure by progressing through neighboring properties or by the blowing of burning embers.

What this Means to the Homeowner

For homeowners who own properties that represent a higher than average risk of having fire damage, finding an insurer that is willing to offer coverage can be challenging. While a given insurer may be willing to write a home with a wood shake roof, that insurer may decline coverage because the property is too close to brush. Another insurer might be willing to offer coverage despite the high protection class but declines because of the slope of the property.

The advent of brush risk models such as those by Corelogic and FireLine is intended to introduce more objective evaluation of fire risk into the underwriting process.

At the same time, insurers also have other more general restrictions that may include considerations of the age of the home, the condition of the electrical and plumbing, and the loss experience of the insured. Laws do not prohibit insurers from changing their underwriting guidelines. Even a homeowner that has had coverage with the same insurer for 20 years without a loss may be non-renewed when stricter underwriting guidelines are imposed.

For homeowners, there is no “take-all-comers” law that requires insurers to write in certain areas similar to the existing law for statutory good drivers looking for personal auto coverage. The fallback for homeowners who can’t find coverage in the competitive private insurance market is the California FAIR Plan, which is available to all.

Considerations for Consumers

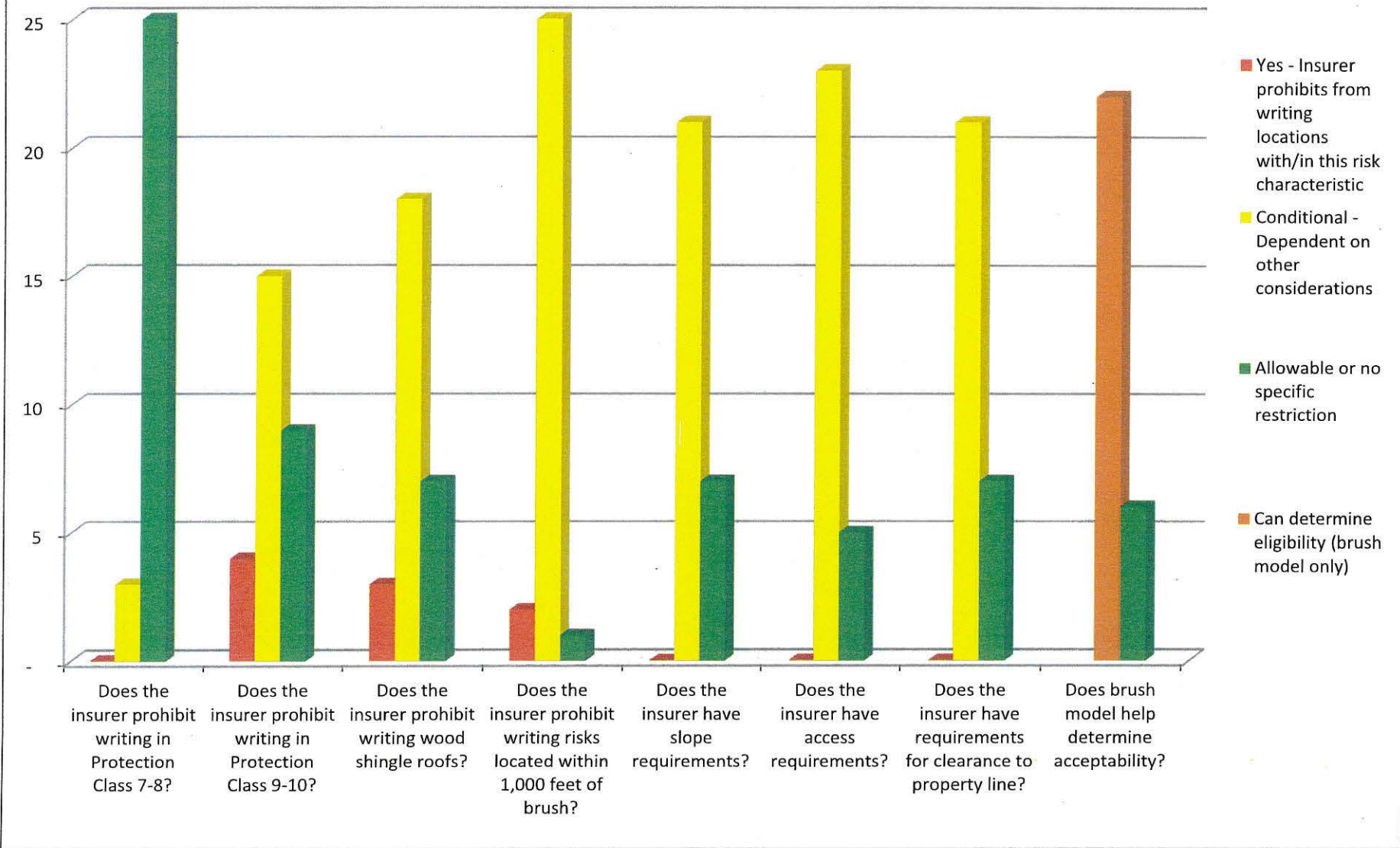
It is important that those who are shopping for a home consider the availability and cost of insurance when purchasing a property. A quiet, remote, wooded location can have many benefits but from an insurance perspective may present a higher risk and thus limited availability of coverage and higher premiums.

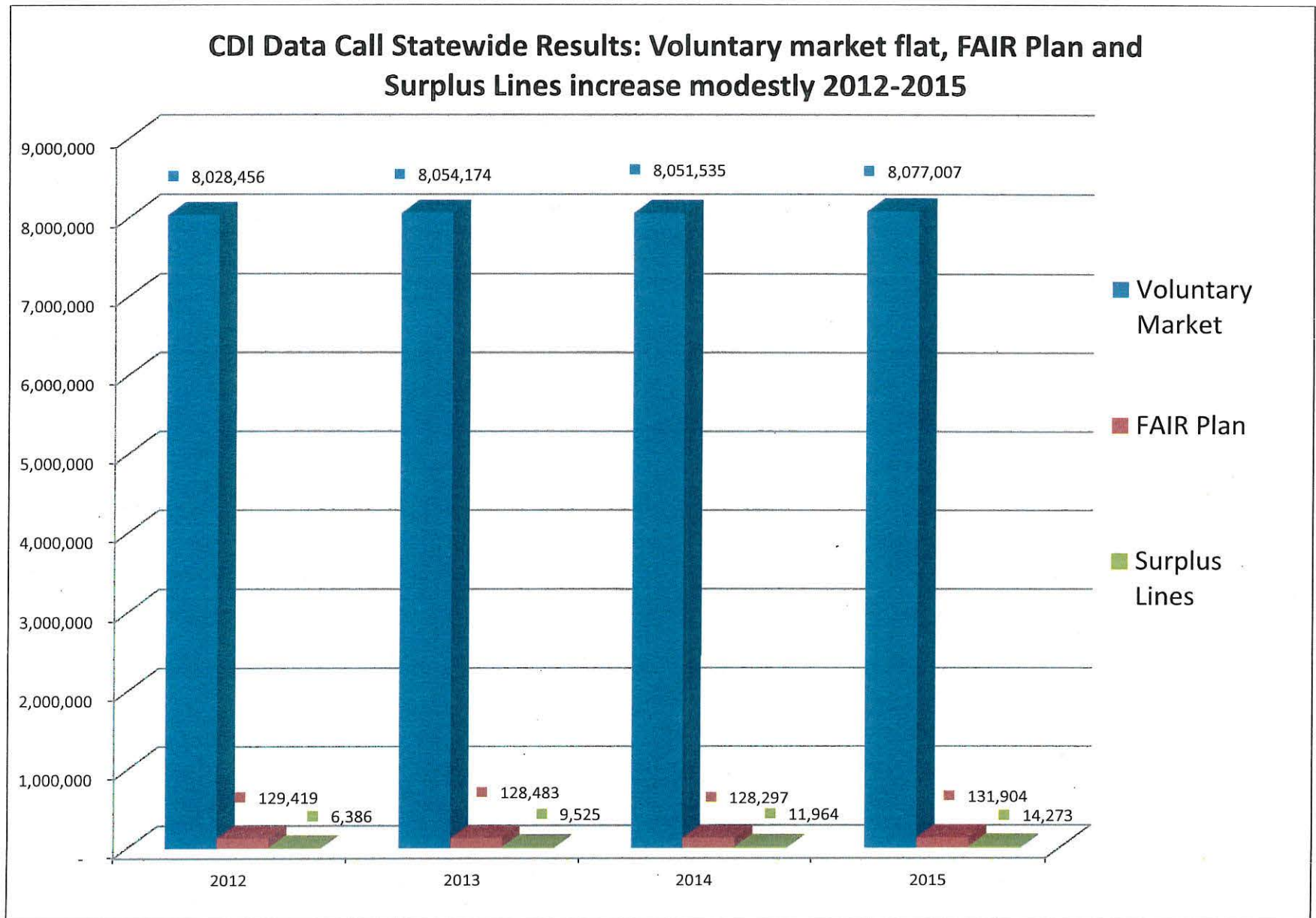
Those who already own properties that may have a wildfire exposure should be careful to maintain their properties by choosing fire resistant roofing materials and landscape options that don’t provide fuel for a fire.

Consumers should be proactive in making sure that heating, wiring, plumbing is in good condition and that any liability hazards are minimized. In other words, consumers should make sure their homes are as updated and hazard-free as possible and then shop around for coverage – and should expand their search beyond the three or four best-known insurers in the market. Also, consumers should be aware that FAIR Plan coverage is available and can be combined with a Difference in Conditions policy with an insurer to provide a complete package of covered perils and liability coverage. Finally, consumers can also ask an insurance agent about the surplus lines market which also writes coverage for properties that can’t find coverage in the standard market.

UNDERWRITING GUIDELINES SUMMARY + CHART - CDI HANDOUT 2

Underwriting Guidelines Among Top 27 Insurers

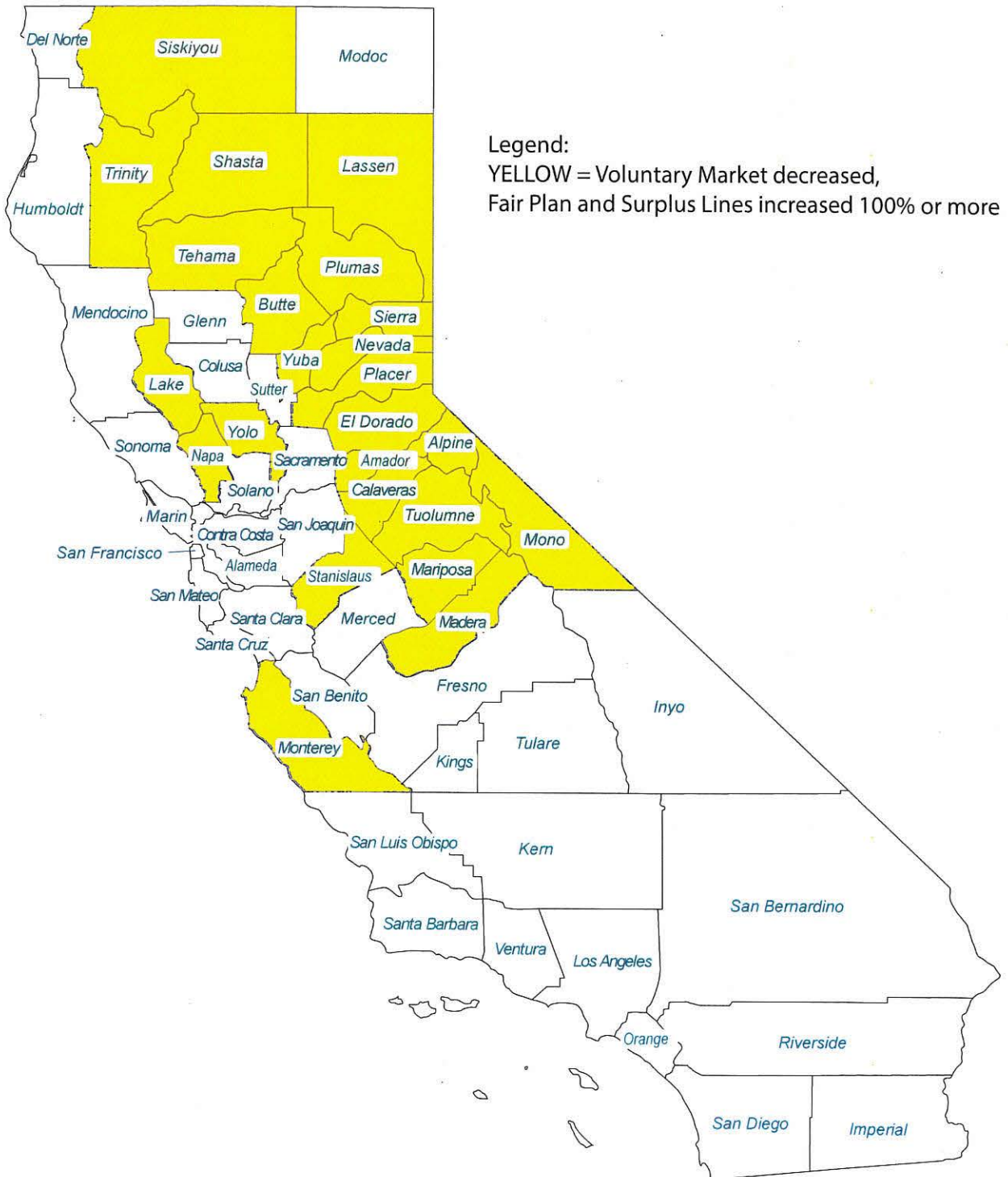




California Department of Insurance, Statistical Analysis Division and Special Projects Division, March 2016

CDI DATA CALL COUNTY RESULTS MAP - CDI HANDOUT 3B

CDI Data Call County Results:
In some counties voluntary market declining modestly,
FAIR Plan and Surplus Lines increasing modestly



CDI DATA CALL RESULTS: STATEWIDE + 6 COUNTIES - CDI HANDOUT 3C

CDI Data Call Results: Policy Count Changes Statewide and in 6 High Fire Risk Counties

LOCATION	MARKET TYPE	DIFF in New Written Policies 2012 to 2015	DIFF in Renewal Policies 2012 to 2015	Combined DIFF in Policies 2012-2015 (New + Renewals)	Percentage Change in Markets 2012-2015	Net Increase or Decrease in Total Policies (all 3 markets) 2012-2015	FAIR Plan & Surplus Lines Growth Factor 2012-2015
STATEWIDE	Voluntary Market	9,054	39,497	48,551	0.6%	58,923	1.1 Times More
	FAIR Plan	6,337	(3,852)	2,485	2%		
	Surplus Lines	3,629	4,258	7,887	124%		
AMADOR	Voluntary Market	(475)	(1,092)	(1,567)	-10.3%	1,383 Less Policies	6.4 Times More
	FAIR Plan	50	35	85	425%		
	Surplus Lines	47	52	99	707%		
BUTTE	Voluntary Market	493	(661)	(168)	-0.3%	161 More Policies	5.2 Times More
	FAIR Plan	106	60	166	474%		
	Surplus Lines	56	107	163	370%		
CALAVERAS	Voluntary Market	(264)	(1,214)	(1,478)	-6.3%	1,119 Less Policies	4.5 Times More
	FAIR Plan	88	58	146	304%		
	Surplus Lines	97	116	213	380%		
LAKE	Voluntary Market	(184)	(621)	(805)	-3.3%	562 Less Policies	4.2 Times More
	FAIR Plan	88	67	155	388%		
	Surplus Lines	36	52	88	251%		
PLACER	Voluntary Market	532	186	718	0.6%	1,131 More Policies	4.0 Times More
	FAIR Plan	69	54	123	171%		
	Surplus Lines	166	124	290	426%		
TUOLUMNE	Voluntary Market	(550)	(2,678)	(3,228)	-13.0%	2,703 Less Policies	5.9 Times More
	FAIR Plan	63	80	143	275%		
	Surplus Lines	194	188	382	695%		

3/3/16 LETTER TO INSURERS + DIC LIST - CDI HANDOUT 4

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
EXECUTIVE OFFICE
300 CAPITOL MALL, SUITE 1700
SACRAMENTO, CA 95814
(916) 492-3500
(916) 445-5280 (FAX)
www.insurance.ca.gov

Dave Jones, *Insurance Commissioner*



March 3, 2016

VIA U.S. MAIL

Re: Residential Fire Risk Underwriting and Difference in Conditions Coverages

The California Department of Insurance (CDI) has received numerous communications from county officials in high risk fire areas across the state advising the CDI that homeowners in their counties are having difficulty finding standard homeowners insurance coverage, especially if the dwelling is located in a wooded area or an area determined to have a higher than average brush exposure. There are increasing concerns that certain regions of the state may be unable to obtain standard homeowners insurance.

I write to ask that you offer or continue to offer homeowners insurance in high risk fire areas.

I ask also that you implement guidelines that would allow more individualized consideration of homes that warrant exception to broad underwriting restrictions when the homeowners have taken steps to effectively mitigate the risk of fire damage. In making this request, I recognize that insurers have broad latitude in setting their underwriting standards.

Each insurer should also consider writing an additional number of higher risk exposures - subject to concentration considerations - so that the industry as a whole takes reasonable steps to include high risk fire areas in the voluntary market.

To further address the declining availability of homeowners coverage, I am also asking insurers that don't already have a "difference in conditions" (DIC) policy to develop and file such a policy with the Department of Insurance. Difference in conditions policies can be combined with California FAIR Plan policies or other dwelling fire policies to provide a measure of protection on par with a standard homeowners policy. I have directed the Department of Insurance to work with insurers to expedite the approval of such products, much as we did and are doing with regard to auto insurance coverage for "ride hailing" drivers.

A current list of DIC policies is on the Department's website at <http://www.insurance.ca.gov/01-consumers/105-type/5-residential/carriersDICpolicies.cfm>.

Insurers that write a DIC policy should remind their producers of its availability – there are indications that all producers aren't aware that difference in conditions coverage is an option that currently exists.

If you have any questions about this notice, or if your company has a DIC policy that is not on our list, please contact Charlie Brenneman, Special Projects Division, Charlie.Brenneman@insurance.ca.gov, or (916) 492-3531.

Sincerely,

A handwritten signature in cursive script that reads "Dave Jones".

DAVE JONES
California Insurance Commissioner

3/3/16 LETTER TO INSURERS + DIC LIST - CDI HANDOUT 4

List of Insurers that Sell Difference in Conditions (DIC) Policies



List of Insurers that Sell Difference in Conditions (DIC) Policies

Aegis Security Insurance Company	800-233-2160	www.aegisinsurance.com
AIG Property Casualty Company	866-304-5047	www.aig.com
Crestbrook Insurance Company (Nationwide)	855-473-6410	www.nationwide.com
Pacific Specialty Insurance Company	800-828-3003	www.pacificspecialty.com
Tokio Marine America Insurance Company	800-628-2796	www.tokiomarine.us
Travelers Commercial Insurance Company	800-252-4633	www.travelers.com
Universal North America Insurance Company	866-458-4262	www.uihna.com/en-US/
Farmers Group		
Farmers Insurance Exchange	800-327-6377	www.farmers.com
Fire Insurance Exchange		
Mid-Century Insurance Company		
Neighborhood Spirit Property & Casualty Company		
Kemper Group		
Kemper Independence Insurance Company	877-252-7878	www.kemper.com
Unitrin Auto and Home Insurance Company		
Liberty Mutual Group		
First National Insurance Company of America	800-332-3226	www.safeco.com
General Insurance Company of America		
Safeco Insurance Company of Illinois		
Safeco Insurance Company of America		

NOTICES TO AGENTS/BROKERS - CDI HANDOUT 5

STATE OF CALIFORNIA

Dave Jones, *Insurance Commissioner*

DEPARTMENT OF INSURANCE

ADMINISTRATION & LICENSING SERVICES BRANCH
PRODUCER LICENSING BUREAU
320 CAPITOL MALL
SACRAMENTO, CA 95814
(800) 967-9331
www.insurance.ca.gov



NOTICE

TO: All Property/Casualty Broker-Agents, Personal Lines Broker-Agents, Surplus Line Brokers and Other Interested Parties

SUBJECT: Helping consumers in high risk wildfire areas obtain homeowners' insurance: CDI tools, surplus lines, and the FAIR Plan

DATE: October 19, 2015

Background

The California Department of Insurance (CDI) has noted a recent increase in consumers contacting the news media, elected officials and CDI with concerns about the availability and affordability of homeowners' insurance in areas with a high risk of wildfire.

CDI reminds all insurance producers (producers) licensed to transact property insurance of their responsibility to help consumers purchase property insurance, particularly when consumers are finding it difficult to find available and affordable homeowners' insurance. Producers should inform consumers of the tools available on CDI's website to help them shop for residential insurance and, when applicable, assist consumers with finding and applying for homeowners insurance in the non-admitted market (aka surplus lines market) or through the California Fair Access to Insurance Requirements Plan (FAIR Plan).

Information Available on CDI's Website

More than 50 insurance companies sell residential insurance in California. CDI has several tools to help consumers shop for residential insurance and make the best decision for their situation. CDI's website (<http://www.insurance.ca.gov/>) includes an annual Homeowner's Premium Survey that compares insurance rates reported by admitted insurers for homeowners insurance, and a Homeowners' Coverage Comparison Tool that provides information about the differences between insurers' policy contracts, including summary information and basic policy forms for each insurer's homeowner's policy coverages.

The Non-Admitted Market (Surplus Lines)

If producers are unable to find an admitted insurer willing to insure consumers, they may search the non-admitted market. Producers must first conduct a diligent search of the market, and at least three admitted insurers (that actually write the type of coverage the homeowner is seeking) must decline to insure the customer's home.

After conducting the diligent search, producers may search the nonadmitted market to locate an insurer willing to insure the consumer's home. To make a placement in the nonadmitted market, producers must either be licensed as a surplus line broker, or go through a surplus line broker, to make such placements. Producers not already familiar with the process for placing insurance in the nonadmitted market, and/or who want to locate licensed surplus line brokers in their area, can obtain this information by visiting the Surplus Line Association of California's website at <http://www.slacal.org/home/broker/>

NOTICES TO AGENTS/BROKERS - CDI HANDOUT 5

California Fair Access to Insurance Requirements (FAIR Plan)

Established under State law, the FAIR Plan is the insurer of last resort for homeowners who are unable to purchase insurance for their home or business in the normal insurance market.

The FAIR Plan offers basic property insurance. The policy covers both the structure and contents for limited perils as defined in the Standard Fire Policy for extended coverage and for vandalism and malicious mischief. For dwelling fire policies, the maximum policy limit is \$1.5 million in total for dwelling, contents, other structures and building code upgrade coverage.

Producers have an obligation under California Insurance Code (CIC) Section 10095.5 to assist consumers in completing the insurance application for the FAIR plan and/or providing the FAIR Plan's toll-free number (800) 339-4099.

California Insurance Code Section 10095.5. (a) The association shall establish and maintain a statewide toll-free "800" number through which persons may receive assistance in applying for insurance through the plan. The association shall cause the number to be published in all general distribution telephone directories in California.

(b) Every insurance agent or broker transacting basic property insurance shall either assist persons in making application for insurance through the plan or provide persons who desire that insurance with the toll-free number established pursuant to subdivision (a).

CDI will be conducting an investigation to determine whether producers are complying with this statute and making appropriate referrals to the FAIR Plan.

In order to better serve clients, CDI recommends producers actually assist the consumer in completing the FAIR Plan application, rather than merely referring the consumer to the FAIR Plan.

Producers act as insurance brokers for applicants and policyholders when transacting with the FAIR Plan. Producers may not charge any fee, directly or indirectly for services related to procuring coverage from the FAIR Plan. The commission paid for policies in the FAIR Plan is 10% for new business and 8% for renewals.

Producers who have never placed business through the FAIR Plan or are in need of a refresher can learn how to register and start submitting business by going to the FAIR Plan's webpage for new brokers at <http://www.cfpnet.com/Newbrokers.html>

If you have any questions regarding this notice, please e-mail the Producer Licensing Bureau at <https://interactive.web.insurance.ca.gov/pli/servlet/InformationRequest> or call the CDI's Producer Licensing Bureau at (800) 967-9331. Please be sure to include your name, telephone number, license number and e-mail address in all correspondence with the CDI.

NOTICES TO AGENTS/BROKERS - CDI HANDOUT 5

STATE OF CALIFORNIA

Dave Jones, *Insurance Commissioner*

DEPARTMENT OF INSURANCE

ADMINISTRATION & LICENSING SERVICES BRANCH
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(800) 967-9331
WWW.INSURANCE.CA.GOV



NOTICE

TO: All Property/Casualty Broker-Agents and Personal Lines Broker-Agents

SUBJECT: FAIR Plan Registration Information

DATE: February 3, 2016

FAIR Plan Registration

The California Department of Insurance (CDI) has noticed a sustained uptick in consumers, legislators and the news media expressing concern about homeowner's policies being non-renewed in high fire severity areas around the state. Consumers in this situation must be made aware of all of their options for purchasing property insurance including the availability of homeowner's insurance through the California Fair Access to Insurance Requirements Plan (FAIR Plan).

California Insurance Code Section 10095.5 requires every insurance agent or broker transacting basic property insurance to either assist the consumer in making an application for insurance through the FAIR Plan OR provide the consumer with the FAIR Plan's toll-free telephone number.

Consumers do not appreciate the run-around, and some fail to follow up and leave their property dangerously uninsured.

To this end, the CDI strongly encourages all producers licensed to sell homeowner's insurance to register with the FAIR Plan and assist consumers directly. By registering with the FAIR Plan, producers will be authorized to fully service their client's property insurance needs by being able to offer insurance plans through the FAIR plan, when homeowner's insurance options are limited. Verification and processing of your registration can take 24-48 hours, so please register now so you are ready when a consumer needs your assistance!

Producers who have never placed business through the FAIR Plan or are in need of a refresher can learn how to register and start submitting business by going to the FAIR Plan's webpage for new brokers at: http://www.cfpnet.com/?page_id=256

October 2015 Notice

In October 2015, CDI sent a notice to all producers licensed to transact homeowner's insurance. The notice reminded producers of their responsibility to help consumers purchase property insurance, particularly when consumers are finding coverage difficult to obtain. The notice explained that when applicable, producers should assist consumers with finding and applying for homeowners insurance through the FAIR Plan. Information on how to become a registered FAIR Plan agent was also included in the notice. The link to the October 2015 notice, which is on CDI's website is: <https://www.insurance.ca.gov/0200-industry/0120-notices/upload/NoticeHomeowners.pdf>

NOTICES TO AGENTS/BROKERS - CDI HANDOUT 5

All Property/Casualty Broker-Agents and Personal Lines Broker-Agents

Page 2

February 3, 2016

If you have any questions regarding this notice, please e-mail the Producer Licensing Bureau at <https://interactive.web.insurance.ca.gov/pli/servlet/InformationRequest> or call the CDI's Licensing Hotline at (800) 967-9331. Please be sure to include your name, telephone number, license number and e-mail address in all correspondence with the CDI.

NOTICES TO AGENTS/BROKERS - CDI HANDOUT 5

CDI: FAIR Plan info added to license renewals (beginning 3/1/16)

IMPORTANT NOTICE TO ALL PROPERTY/CASUALTY AND PERSONAL LINES AGENT-BROKERS

The California Department of Insurance (CDI) has noticed a sustained uptick in consumers, legislators and the news media expressing concern about homeowner's policies being nonrenewed in high fire severity areas around the state. Consumers in this situation must be made aware of all of their options for purchasing property insurance including the availability of homeowner's insurance through the California Fair Access to Insurance Requirements Plan (FAIR Plan).

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Producers who have never placed business through the FAIR Plan or are in need of a refresher can learn how to register and start submitting business by going to the FAIR Plan's webpage for new brokers at: http://www.cfpnet.com/?page_id=256

BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

In the Matter of
THE CALIFORNIA FAIR PLAN
ASSOCIATION

File No. MI-2016-00021
ORDER

WHEREAS, California Insurance Code (CIC) Section 10090(b) specifies that one purpose of the California FAIR Plan Association ("FAIR Plan") is to assure the availability in California of "basic property insurance" defined in CIC Section 10091(c) as "insurance against direct loss to real or tangible personal property at a fixed location in those geographic or urban areas designated by the commissioner, from perils insured under the standard fire policy...".

WHEREAS, CIC Section 10091(c) identifies the perils that FAIR Plan shall, at a minimum, cover, but does not state whether that coverage shall be offered on an actual cash value basis or on a replacement cost basis.

WHEREAS, FAIR Plan's dwelling coverage currently does not offer as optional coverages 1) replacement cost coverage for contents; or 2) separate debris removal coverage.

THEREFORE, it is ordered that FAIR Plan revise its basic property insurance policy to offer, as optional coverages, replacement cost coverage for contents in an amount not to exceed the contents policy limit of liability, and debris removal in an amount not to exceed 5% of the combined limits of liability of Coverages A, B and C, as purchased by the insured. FAIR Plan shall prepare and submit a rate and form filing to the Commissioner by March 1, 2016 that reflects the new optional coverages.

WHEREAS, certain FAIR Plan policyholders who have properties eligible for dwelling replacement cost coverage have not selected this coverage (for which there is no additional charge).

WHEREAS, FAIR Plan automatically includes inflation guard coverage on all policies which have replacement cost coverage (for which there is no additional charge except for

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1 premium increases associated with future increases in the dwelling limit).

2 **THEREFORE**, it is ordered that FAIR Plan shall automatically include its dwelling
3 replacement cost endorsement on all eligible dwellings, for both new business and renewals,
4 unless the applicant or policyholder affirmatively declines this coverage.

5 **THEREFORE**, it is ordered that FAIR Plan amend its underwriting guidelines
6 so that all eligible properties will automatically carry replacement cost and inflation guard
7 coverage, unless the applicant or policyholder affirmatively declines this coverage.

8 **WHEREAS**, coverage through FAIR Plan is typically obtained through an insurance
9 broker, not directly through FAIR Plan, and consumers should be encouraged to use the services
10 of a broker when seeking coverage through FAIR Plan. The California Department of Insurance
11 (CDI) licenses more than 90,000 brokers that are California residents and that are eligible to write
12 basic property insurance. At present, only approximately 6,600 brokers are registered with FAIR
13 Plan to write FAIR Plan business and consumers do not have an easy way to identify them, which
14 may negatively impact the availability of basic property insurance through FAIR Plan.

15 **THEREFORE**, it is ordered that FAIR Plan create and place on its website a consumer-
16 friendly data base that permits consumers to search for brokers who have registered with FAIR
17 Plan. This database shall identify one or more registered brokers in closest proximity to the
18 applicant's property based upon USPS Zip Code.

19 **WHEREAS**, at present, persons seeking basic property insurance through FAIR Plan in
20 certain designated areas throughout the state must provide a written statement to FAIR Plan that,
21 after diligent effort, they have been unable to obtain insurance from an admitted insurer or surplus
22 line broker, and list the names of at least three admitted insurers or surplus lines brokers from
23 whom they have attempted but have been unable to obtain insurance.

24 **WHEREAS**, basic property insurance coverage through FAIR Plan should be made
25 available to any person seeking basic property insurance who has been unable to obtain insurance
26 through the admitted or surplus lines market.

27 **THEREFORE**, it is ordered that, for all geographic areas in California, persons seeking
28 basic property insurance through FAIR Plan need not show that they have unsuccessfully

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1 attempted to obtain insurance through the normal market provided by admitted insurers or surplus
2 lines brokers, because the Commissioner finds that this erects an artificial barrier preventing or
3 delaying consumers from obtaining coverage. Pursuant to CIC Section 10090(c), all persons are
4 encouraged to obtain property insurance through the normal insurance market, and FAIR Plan
5 should continue to remind its policyholders to search the normal insurance market for coverage.
6 Nothing in this order shall be construed as altering the requirement that before a property can be
7 insured by FAIR Plan, it must meet reasonable underwriting standards including, but not limited
8 to, physical condition of the property, property use or housekeeping, or other characteristics of
9 ownership, condition, occupancy or maintenance that violate public policy and/or result in
10 unreasonable risk of loss.

11 This order is issued pursuant to the authority of CIC Sections 10091(c) and 12921, and
12 shall be effective immediately. However, unless a date is specified for implementing any part of
13 this Order, FAIR Plan shall implement this Order within 120 days of the date this Order is
14 executed by the Department, unless extended by the Commissioner.

15
16 Dated: 1/20/2016.

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18 By 
19 DAVE JONES
20 Insurance Commissioner
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FIRE INFO FOR COUNTIES AND LEGISLATORS - CDI HANDOUT 7



Dave Jones
California
Insurance
Commissioner



California
Department of Insurance

Insurance Protection for All Californians

Greetings!

On behalf of Insurance Commissioner Dave Jones, below is information that may be helpful to homeowners in your area who are concerned about fire and flooding issues.

AFFORDABILITY AND AVAILABILITY OF HOMEOWNERS INSURANCE

- The California Department of Insurance (CDI) has noted a recent increase in consumers contacting the news media, elected officials and CDI with concerns about the availability and affordability of homeowners' insurance in areas with a high risk of wildfire. Some consumers are also receiving premium increases or non-renewal notices from insurance companies. Insurance Commissioner Dave Jones reminds consumers to shop around for homeowners' insurance, and if they are having trouble finding coverage, to ask their insurance agent or broker about the non-admitted (surplus lines) market and the California FAIR Plan (California's insurer of last resort).

In addition, Commissioner Jones recently sent a [notice](#) to agents and brokers with a reminder of their responsibility to assist consumers in finding and purchasing property insurance. Commissioner Jones also issued a [press release](#) to the public reminding homeowners of their options.

EL NINO AND FLOOD INSURANCE - With a strong likelihood of El Nino driven storms causing flooding in parts of California, Insurance Commissioner Dave Jones reminds consumers that flood damage is not covered by traditional homeowners' insurance so a separate stand-alone Flood policy is required. While there are some private stand-alone flood insurance products, availability and affordability of these products may be an issue. However, Flood insurance is available through the [National Flood Insurance Program](#). Since there is a 30-day waiting period from the date of purchase before a flood policy goes into effect, it is important for consumers to act quickly before a flood takes place.

HOTLINE - The California Department of Insurance Consumer Hotline at **800-927-4357** can assist with any questions about their insurance and coverage.

FIRE INFO FOR COUNTIES AND LEGISLATORS - CDI HANDOUT 7

The CDI website provides several tools to help consumers understand home/residential insurance so that they can make the best decision for their situation. There you will find several informational guides, tips and tools to assist consumers in understanding homeowners' insurance and how to shop for the best product and at the best price to meet their needs. The following [Home/Residential Insurance](#) web page takes you to where all this information can be viewed.

In an effort to assist your County as much as possible, we have created a [draft web page](#) that contains information and links related to shopping for insurance. You might consider placing this on your County website to help guide your constituents to the resources available to them.

Please feel free to use the information above in any way you see fit in order to help constituents in your local area.

Please contact me if the Department or the Commissioner can be of additional assistance.

Best,

CHRIS SHULTZ

Deputy Commissioner, Community Programs and Policy Initiatives
California Department of Insurance/Insurance Commissioner Dave Jones
300 Capitol Mall Ste. 1700, Sacramento, CA 95814
(916) 492-3589 (w)

 @CA_DaveJones

 @CDINews

FIRE INFO FOR COUNTIES AND LEGISLATORS - CDI HANDOUT 7

Need Assistance Finding Property Insurance?

Shop Around

Whether you are interested in purchasing, reviewing or replacing homeowners, renters, condominium or mobile home insurance, it is important to shop and compare insurance products just like you would when shopping for any other important consumer purchase. Since residential insurance often protects your largest financial investment, plan on spending some time to conduct a search of the insurance marketplace.

The California Department of Insurance (CDI) public web site provides a [premium comparison tool](#) for companies licensed to sell residential insurance. You may wish to contact the insurance companies to see if they are currently accepting new business.

What If I Can't Find Insurance?

If after shopping the market you are still having difficulty obtaining residential insurance, you may want to contact the California [FAIR Plan](#) to explore your coverage options. As the insurer of last resort, the FAIR Plan should only be considered after a diligent search for coverage in the traditional insurance market. If you are turned down or non-renewed by your current insurance company, or are otherwise in need of coverage, you may apply for coverage under the FAIR Plan through an agent or broker licensed to sell property insurance, or you may contact the FAIR Plan directly at **800-339-4099**.

Please note that the FAIR Plan only provides coverage for the perils of Fire or Lightning, Internal Explosion, and Smoke. For an additional premium, Extended Coverage (windstorm, hail, explosion, riot or civil commotion, aircraft, vehicles, and volcanic eruption) and Vandalism or Malicious Mischief may be added to the policy. Since the FAIR Plan policy does not cover all the perils insured under a traditional homeowners' insurance policy such as theft or liability, you may want to consider purchasing a "Differences in Conditions" policy in addition to the FAIR Plan policy that will cover these additional risks. An agent or broker should be able to locate an insurance company that sells this type of coverage.

Additional Information on Shopping for and Understanding Residential Insurance

The California Department of Insurance (CDI) website provides several tools to help you understand home/residential insurance so that you can make the best decision for your situation. There you will find several informational guides, tips and tools to assist consumers in understanding homeowners' insurance and how to shop for the best product and at the best price to meet their needs. The following [Home/Residential Insurance](#) web page takes you to where all this information is contained.

If you do not find the information you need, you can call the Department's Consumer Hotline at **(800) 927-4357** for assistance. Dedicated insurance experts are available to assist you with any questions on all aspects of insurance.

Do you need Flood Insurance?

Standard homeowners' insurance doesn't cover flood damage, so it's important for consumers to know what options are available to them for protection from flood losses

The U.S. Congress established the National Flood Insurance Program (NFIP) with the passage of the National Flood Insurance Act of 1968. The NFIP is a Federal program enabling property owners in participating communities to purchase insurance as a protection against flood losses. To obtain additional information, you may wish to visit [NFIP](#) or call 1-888-379-9531.