

DEPARTMENT OF INSURANCE

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**NOTICE**

TO: All Education Providers and Other Interested Parties

DATE: February 4, 2011

SUBJECT: Revised Homeowners' Insurance Valuation Course Curriculum

Background

On December 29, 2010 the California Office of Administrative Law (OAL) approved regulations specific to the standards and training for estimating the replacement value on homeowners' insurance. The regulations were promulgated for the purpose of fully implementing SB 2 (Statutes of 2005). SB2 added Section 1749.85 to the California Insurance Code (CIC), which is specific to requirements for the proper methods of estimating the replacement value of structures and of explaining various levels of coverage under a homeowners' insurance policy.

The regulations provide for the following: (1) sets out requirements applicable to replacement value and replacement cost estimates to create a more consistent, comprehensive and accurate replacement cost calculation; (2) sets forth training standards for California resident broker-agents who sell homeowner's insurance, which shall be part of and not in addition to their continuing education requirements; (3) sets forth standards for real estate appraisers who estimate replacement cost for insurance purposes; (4) requires the application of certain standards when estimating replacement cost and construction costs; and (5) establishes record keeping requirements.

To meet the training requirements contained in Section 1749.85 of the CIC, shortly after the passage of SB2, the Insurance Commissioner's appointed Curriculum Board developed a course outline which specifies the subjects to be covered in a three-hour homeowners' insurance valuation course. In turn, several education providers developed such courses that were approved by the California Department of Insurance (CDI) and have been available for agents and brokers to complete as part of their continuing education requirements.

On or after June 27, 2011, prior to estimating the replacement value of structures or explaining the various levels of coverage under a homeowners' insurance policy, California resident agents and brokers who have not previously completed the homeowners' insurance valuation training, must do so. Completion of this course will fully meet the training requirements. The training requirement is part of, and not in addition to, the agents and brokers' continuing education requirements.

Education Providers Who Currently Offer a Homeowners Insurance Valuation Course

As a result of the OAL approving the regulations, there are several sections of the Curriculum Board's course outline that have been changed to fully reflect the content of the regulations. Consequently, existing courses will need to be modified to include all of the elements of the revised outline which is entitled, "California Department of Insurance Property and Casualty Broker-Agent and Personal Lines Broker-Agent Homeowners' Insurance Valuation Course Curriculum."

There are changes in every section of the outline. Some of the substantive changes include the following:

- ◀ Section III (Components of a Structure Necessary to Estimate Replacement Cost) Several additional items were added to the list of components;
- ◀ Section V (Enhancements and Endorsements to the Homeowners/Dwelling Policy and Identification of Coverages that Help Protect Against Underinsurance) Several items were deleted and additions were made to the section on building ordinance coverage requirements;
- ◀ Section VI (Basic Fire Policy) Several topics were added such as the California Standard Form Fire Policy, FAIR Plan and California Earthquake Authority coverages;
- ◀ Section X (Ensure that broker-agent is aware of Section 2695.182 (Documentation of Person Estimating Replacement Value) and Section 2695.183 (Standards to Be Used when a Licensee Estimates Replacement Cost) of the California Code of Regulations). This entire section was added.

The revised homeowners' insurance valuation course curriculum is available on CDI's website at <http://www.insurance.ca.gov/0200-industry/0050-renew-license/0400-resident-materials/index.cfm>

Existing homeowners' insurance valuation courses will need to be amended to reflect these changes prior to June 27, 2011, which is the effective date that agents and brokers must complete the training prior to estimating the replacement value of structures or explaining the various levels of coverage under a homeowners' insurance policy. Additionally, a revised course outline that includes these changes must be included with the course renewal application at the time of renewal.

Existing and new Homeowners Insurance Valuation Courses

To develop a new course, refer to the link above to the revised homeowners' insurance valuation course curriculum. Both new and existing courses must include either a copy of the regulations or a link to the regulations (<http://www20.insurance.ca.gov/epubacc/REG/151771.htm>) to ensure that agents and brokers are aware of all of the homeowners' insurance valuation requirements.

Questions

Should you have any questions or concerns regarding this notice, you may contact CDI's Education Section at (916) 492-3064.