

CDI Review Requirements Checklist for Commercial and Personal Earthquake

REVIEW REQUIREMENTS	REFERENCE	COMMENTS
FORMS		
Standard Requirements		
Policy shall specify	CIC 381	Lists required contents of policy
Insurer's name on policy.	CIC 430	The insurer's name or name approved for use by the commissioner, must be printed in large bold print in at least the size type used in the policy or on the face page.
Disclosure of consumer affairs unit to new policyholders	CIC 510	Insurers must include a written disclosure containing the name, address, and toll-free telephone number of the unit of the Department of Insurance that deals with consumer affairs. The disclosure should be printed in large, boldface type.
Earthquake Insurance	CIC Chapter 8.5	Stipulates the offer of coverage from the earthquake peril in conjunction with residential property insurance.
Minimum coverage	CIC 10089	Residential premises; contents of not less than 10% of the amount of the covered dwelling loss or not less than \$5,000; additional living expenses of no less than \$1,500; deductible of no more than 15% of coverage provided for the dwelling.
Optional coverage	CIC 10089.1	Reconstruction costs of \$10,000
California Earthquake Authority policy disclosure (Specific language in the code)	CIC 10086 (a) (3)	Specific language for the disclosure if the earthquake coverage is provided by a policy issued by the CEA given.
Interpretation of Earthquake Insurance Deductible Clause & Contents coverage	Bulletin 95-13	Specified determination of deductible amount
Applications		
Application form NOT required to be filed		
Concealment & Fraud	CIC 2070 & Bulletin 99-1	Prohibits insurers from substituting the words "any insured" for the standardized words "the insured" in fire and allied lines coverage form clauses adapted from the California Standard Form Fire Insurance Policy.

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Discrimination	CIC 679.72	Prohibits an application from carrying identification, or requirement of an applicant's race, color, religion, national origin or ancestry.
Cancellation & Nonrenewal		
Risks Covered by the Chapter	CIC 675	Specifies the type of insurance risk covered by the following cancellation sections.
Nonrenewal - Claim Pending	CIC 675(c)	On or after January 1, 2000, an insurer may not refuse to renew a policy of insurance specified in CIC Section 675(a) solely on the grounds that a claim is pending under the policy.
Grounds for valid notice of cancellation	CIC 676	Notice of cancellation allowed only for certain circumstances (after 60 days of new policy)
Cancellation Content	CIC 677	All notices of cancellation shall be in writing, mailed to the named insured at the address shown in the policy, and shall state with respect to policies in effect after the time limits specified in Section 676, (a) which of the grounds set forth in Section 676 is relied upon, and (b) that, upon written request of the named insured, mailed or delivered to the insurer within 15 days of the date of cancellation, the insurer shall specify the reason for cancellation except where the reason is for non-payment of premium and is so stated in the <u>cancellation notice</u> .
Conditions of Nonrenewal	CIC 678	45 day notice of nonrenewal required.
Modification on renewal (Specific language in the code)	CIC 10086 (a)(2)	An insurer that modifies the terms and conditions of an existing policy, rider, or endorsements shall provide the insured with the renewal notice in a stand-alone disclosure document stating the changes in the terms and conditions of the insured's existing policy, rider, or endorsement. Specific language for the disclosure given.

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Nonrenewal, rejection or cancellation of policy by insurer after acceptance of coverage - prohibited	CIC 10086.5	An insurer shall not refuse to renew, reject, or cancel a policy of residential property insurance after an offer of earthquake coverage is accepted solely because the insured has accepted that offer of earthquake coverage, except in cases in which the policy is terminated by the named insured. Underwriting standards applicable to the residential property insurance shall not be applied in a discriminatory fashion against any person who accepts or elects to continue earthquake coverage.
Refund policy	CIC 481, 481.5	Policy regarding refund of unearned premium.
Adverse Underwriting Decision	CIC 791.12	Adverse underwriting decision; prohibited grounds.
Punitive Damages		
Punitive Damages Prohibited	CIC 533.5	Coverage for punitive damages is prohibited. Any policy, primary, excess or umbrella, which provides coverage for punitive damages must contain a California exclusionary endorsement. Or, if punitive damages are added by endorsement, the endorsement must state that punitive damages do not apply in California.
Earthquake		
California statutory minimum Earthquake offer	CIC 10081 - 10089.3	No policy of residential property insurance may be issued or delivered to unless the named insured is offered coverage for loss or damage caused by the peril of earthquake as provided in this chapter. Note: Earthquake must be filed as a separate line of insurance.
Notice of non-coverage	CIC 10086.1	Where the offer of earthquake coverage has not been accepted, the insurer shall notify the named insured that the policy does not provide that coverage. After the offer on an every other year basis, the notice of noncoverage shall be provided prior to or concurrent with the renewal of the policy of residential property insurance.

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RATING		
Pricing		
Prior Approval	CIC 1861.01 (C), 1861.05 (b), CCR Title 10, Subchapter 4.8	Requires filing of rates prior to implementation.
Rate Adequacy	CIC 1861.05(a)	No rate shall be in effect that is excessive, inadequate nor unfairly discriminatory.
Policy Fees (Not broker fees)	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8	Policy fees, and other similar fees, such as inspection fees, are premium. Therefore, requests from carriers to change their fees will require a prior approval filing.
Tier rating	CIC 1861.05(a), CCR 2360.2, Bulletin 80-11, Bulletin 94-12	Every insurer must maintain eligibility guidelines to determine the appropriate rating plan for an insured.
Insurer Groups	CIC 1853.5, 1861.05(a), CCR 2360.2, 2360.5	Requires maintenance of eligibility guidelines for placement of risks in each company who are members of an insurer group which write the same or substantially the same insurance.
Lowest Premium	CCR 2360.3	An insurer shall charge each insured the lowest Premium for which the insured qualifies. At each policy renewal the insurer shall adjust the Premium charged to the insured, as necessary, to reflect the lowest Premium for which the insured qualifies at that time.
Commercial Earthquake IRPM	Bulletin 85-4	Criteria based on hazardous characteristics that reflect deviation from standard exposure.
Rating Plan Requirements		
Rating Plan	CIC 1861.01(c), CIC 1861.05(a) & (b)	A rating manual must be submitted with an application for approval of rates.
Financial Credit Scoring	CCR 2360.0(b) & CIC 1861.05(a)	Use of an aggregate credit score (i.e. Insurance or Bureau Score) is not an acceptable rating component for personal lines of insurance.

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Advisory Organization (AO) Loss Costs-adoptions	CIC 1855.3, 1855.5, 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions- New Programs Section	Permits the development of rating plans in cooperation and in concert with advisory rating organizations. Requires manuals to contain loss costs not rates. For New Program filings adopting approved advisory organization loss costs and manuals, insurers must submit a complete new program filing which includes the development of the loss cost multipliers and any loss cost modifiers. For previously approved programs, adopting changes to loss costs, loss cost multipliers or modifiers require a complete rate change application filing using company/group specific data. Any AO adoption files must contain the CDI file number for the approved AO files the insurer wishes to adopt.
Validation of Earthquake Computer Models	Bulletin 96-5	Each insurer will be required to maintain certain modeling information. That information shall include, but is not limited to, the following: (1) a complete set of documents and computer disks or tapes that would normally be provided to an insurer; (2) a reference or description of the modelers' analysis of the following: a. soil maps (including liquefaction and landslide maps), b. fault location, segmentation maps and maximum magnitudes, c. fault recurrence intervals and magnitude distribution, d. attenuation analysis, e. ground motion parameters or intensity scale used, f. damage ratio curves for structures and contents, and g. uncertainty factors (including unknown faults)
Upgrades	CCR 2360.7	Whenever an insurer makes insurance with broadened or enhanced coverage available to new insureds, the insurer shall offer the same broadened or enhanced coverage to all existing insureds which otherwise qualify for the newly broadened or enhanced coverage, and the insurer shall apply the same rating plans to both new and existing insureds in accordance with this chapter. Any change in coverage offered to existing insureds under this section shall be offered no later than the next renewal date.

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Filing Requirements		
Prior Approval of rates, rules, and forms	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions	Insurers who desire a rate change shall file a complete rate application. The applicant shall have the burden of proving the requested rate change is justified. The commissioner shall notify the public of any rate change application. The application shall be deemed approved 60 days from the public notice unless a consumer requests a hearing within 45 days of the public notice or the commissioner decides to hold a hearing or the proposed rate adjustment exceeds 7% for personal lines, in which the commissioner must hold a hearing upon a timely request.
Complete Rate Application	CIC 1861.05(b), 1857.7, 1857.9, 1864 and CCR 2643.6, 2648.4 and June 8, 2001 Notice to all Insurers Subject to Proposition 103.	Specifies the required contents - for a complete application for approval of rates.
Prior Approval of rates, rules, and forms by line of insurance	CIC 1861.01(c), 1861.05(b), 1857.7, CCR 2642.7, 2643.3(b) and Filing Instructions	Requires rate filing applications on a line by line basis. CCR 2642.7 lists the lines of insurance.
All files containing forms	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions	All filings containing forms (whether company or an advisory organization) must have forms filing pages CA-FA1 and CA-FA2 completed in the rate application.
New Programs	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions- New Programs Section	ALL manual rules, underwriting rules, rates, and forms to be used with a new program must be submitted with the rate application. If the proposed forms are AO forms or company forms already in use with other programs, and previously filed, then the forms do not need to be filed with the New Program. However, they must be listed on the CA-FA1 page with the CDI file number for the approved form filings.

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Advisory Organization(AO) forms-adoptions	CIC 1855.5	Requires approval of an advisory rating organization's policy, endorsements and forms prior to use by insurers.
Forms without coverage changes.	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions	Forms that do not affect changes in coverage do not need to be filed.
Mailing Address	Rate Filing Application Instructions	Mail all completed filing applications to: CALIFORNIA DEPARTMENT OF INSURANCE, RATE REGULATION DIVISION, Rate Filing Bureau, 45 Fremont Street, 23rd Fl., San Francisco, CA 94105. Do not address files to the Commissioner.
General Filing References		
Mandatory Earthquake offer (Specific language in the CIC 10083)	CIC 10081 CIC 10083	No policy of residential property insurance may be issued or delivered or, with respect to policies in effect on the effective date of this chapter, initially renewed in this state by any insurer unless the named insured is offered coverage for loss or damage caused by the peril of earthquake as provided in this chapter. Offer must be made prior to or concurrent with, or within 60 days following the issuance or renewal of the policy.
Notice of non-coverage	CIC 10086.1	Where the offer of earthquake coverage has not been accepted, the insurer shall notify the named insured that the policy does not provide that coverage. After the offer on an every other year basis, the notice of noncoverage shall be provided prior to or concurrent with the renewal of the policy of residential property insurance.
Maintenance of Records	CIC 1857	Insurers shall maintain reasonable records used in connection with the rates, rating plan, and underwriting rules.
Documentation Supporting Rates	CCR 2360.6	The insurer shall keep documentation in the underwriting file for every insurance policy issued to every insured, identifying all information which the insurer considered in determining the Premium charged to the insured. This documentation shall be maintained at all times during which a policy is in force and for at least three years from the policy inception date.

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Reinsuring Non-admitted Insurers	CIC 803	No admitted insurer shall assume or reinsure the liabilities of a non admitted insurer for the purpose of circumventing the rate and form provisions of the CIC.
Burden of proof	CIC 1861.05(b) and CCR 2646.5	The insurer has the burden of proving that its rate is not excessive, inadequate, unfairly discriminatory, or otherwise in violation of the CIC.
Residential Property Insurance Defined	CIC 10087(a)	Defines a policy of residential property insurance.
Proof of mailing	CIC 10087(b)	Proof of mailing of the offer by first-class mail addressed to a named insured or applicant at the mailing address shown on the policy or application shall create a conclusive presumption that the offer was made.
Discount or surcharge disclosure	CIC 10089.2	The insurer shall provide and disclose in writing any discounts or surcharges, if any, for earthquake hazard reductions, which shall include, but not limited to, retrofitting of the residential dwelling by tying the structure to the foundation or bracing the structure to the foundation, reinforcement of the fireplace chimney or securing of the hot water heater, and any other discounts that are available from the insurer.
Geographic based earthquake assessment system, fees	CIC 10089.4	No person may use a geographically based earthquake assessment system or program for the purpose of requiring earthquake insurance, or imposing a fee or any other condition in lieu of requiring earthquake insurance in connection with a loan secured by a condominium project or an individual unit of a condominium project unless the system's or program's analytical assumptions and methodology used in the assessment have been submitted to and approved by the commissioner.