



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

BULLETIN 2023-2

TO: All Admitted Insurers Writing Residential or Commercial Property Insurance in California

FROM: Insurance Commissioner Ricardo Lara

DATE: February 3, 2023

RE: Prior Approval Rate Application Requirements to Comply with Title 10 of the California Code of Regulations, Section 2644.9(d)

The California Department of Insurance recently finalized my new insurance pricing regulation recognizing and rewarding wildfire safety and mitigation efforts made by homeowners and businesses across the state in alignment with California’s wildfire safety efforts and the “Safer from Wildfires” framework created by the Department in partnership with state emergency preparedness agencies.

My regulation is part of a comprehensive response to protect consumers from climate change-intensified wildfires, assist communities to better prepare, improve market competition, and help more Californians find insurance they can afford. I directed the Department to develop the regulation after consulting with state emergency preparedness agencies, fire leaders, consumers, and the insurance industry about the need for a shared approach to reducing wildfire risks, which is clearly set forth in the “Safer from Wildfires” framework and codified in this regulation.

My new regulation also requires insurance companies to establish a process for releasing wildfire risk determinations to residents and businesses within 180 days of the effective date of the regulation – no later than April 12, 2023 – and create a right for their policyholders to appeal that determination.

This Bulletin outlines the process and requirements for submitting the necessary rate filings and corresponding class plan applications to comply with my new regulation.

Title 10 of the California Code of Regulations (“10 CCR”) section 2644.9(a)(1) provides:

An insurer that promulgates a rate that is developed with, determined by or relies upon, in whole or in part, a rating plan that segments, creates a rate differential, or surcharges the premium based upon a policyholder or applicant’s wildfire risk

shall comply with this Section 2644.9...

10 CCR section 2644.9(d) provides:

(1) No insurer shall use a rating plan that does not take into account and reflect the following mandatory factors...

(2) No later than one hundred eighty days (180) following the date this section is filed with the Secretary of State, each insurer shall file a rate application that incorporates a rating plan that includes, the factors described in subdivision (d)(1) of this section.

10 CCR 2644.9 became effective upon approval of the California Office of Administrative Law on October 14, 2022.¹ Accordingly, I am hereby directing every insurer that promulgates a rate that is developed with, determined by or relies upon, in whole or in part, a rating plan that segments, creates a rate differential, or surcharges the premium based upon a policyholder or applicant's wildfire risk must file a responsive Prior Approval Rate Application that complies with the regulation no later than April 12, 2023.

Prior Approval Rate Applications filed in order to comply with section 2644.9(d) shall be revenue neutral, and shall not include proposals or amendments to existing rates or rules that are outside of section 2644.9(d).

Accordingly, insurers shall:

1. Submit the Prior Approval Rate Application as filing type "Rule filing without rate impact," and identify the program name as "Mitigation in Rating Plans Regulation".
2. Submit all documents required as part of a rule filing without rate impact, as specified on Prior Approval Rate Application Page 3, Filing Type and Checklist.
3. Provide support for the rating relativities for the new wildfire mitigation credits in Prior Approval Rate Application Exhibit 19-A, Supplemental Information.
4. Provide written details regarding any changes to wildfire risk scoring models used by the insurer in order to comply with 10 CCR 2644.9(d) in Prior Approval Rate Application Exhibit 19-B, Supplemental Information.
5. Submit a completed Model Checklist as posted on the Department's public website and on SERFF.

¹See: <https://legaldocs.insurance.ca.gov/CyberDOCS/autopapiact.asp?ApplNT=-1&mode=no&autopapiurl=%2FCyberDOCS%2FLibraries%2FDOCS%5FWEB%2FCCommon%2Fviewdocact%2Easp%3Flib%3DDOCS%5FWEB%26doc%3D350963%26rendition%3Dhtml%26noframes%3Dyes&SCICO=false>.

6. Include policyholder dislocation in Prior Approval Rate Application Exhibit 19-C. For changes involving wildfire risk models, provide the policy-level dislocation by current and proposed wildfire risk score or classification and the resulting premium change.
7. Submit the Mitigation in Rating Plans and Wildfire Risk Models Questionnaire.

Pursuant to 10 CCR 2644.9(c), an insurer shall submit as part of a responsive rate application any Wildfire Risk Model, as defined in 10 CCR 2644.9(b)(6), that is used, in whole or in part, in the insurer's rating plan.

Any rate application that is deemed non-responsive will be rejected by Rate Regulation Branch intake staff and the insurer will be directed to file a responsive rate application.

Insurers and their counsel are also encouraged to review the Department's Mitigation in Rating Plans and Wildfire Risk Models FAQ located here:

<http://www.insurance.ca.gov/0250-insurers/0800-rate-filings/0200-prior-approval-factors/upload/FAQ-Mitigation-in-Rating-Plans-and-Wildfire-Risk-Models-Regulation-2023-02-16.pdf>.

Any additional questions/inquiries regarding this Bulletin should be directed to:

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