

DEPARTMENT OF INSURANCE

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



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 black ink that reads "Dave Jones".

DAVE JONES
California Insurance Commissioner