



## California Department of Insurance

### Questionnaire for Homeowners and Residential Property Rate, Rule and Transferred Program Filings

In order to fulfill its legal duty to perform a complete rate review of the submitted filing, the Department requires the following detailed information. Failure to provide thorough and clear responses prohibits the Department from accomplishing its duties and thereby halts or impedes review of the submitted filing in a timely manner.

#### Non-Renewals

For homeowners and other residential property insurance<sup>1</sup> lines, if the insurer is in the process of or planning to reduce, decrease, or restrict the number of policies written or renewed, or restrict the coverages offered, in specific geographic areas such as ZIP codes, counties, or territories, for any reason, including over-concentration, the insurer must provide the details in Exhibit 18 – Rules and Underwriting Guidelines, as outlined in the list below. This information must be provided for new, existing, and transferred programs. Note that insurers must comply with any mandatory moratorium on non-renewals in ZIP Codes identified in bulletins issued and posted on the Department's public website.

Non-renewal information to be included in Exhibit 18 – Rules and Underwriting Guidelines:

1. The reason for the non-renewals (for example, over-concentration of risks, revised underwriting eligibility guidelines, etc.) and what those specific revisions are.
2. Detailed explanation of how the non-renewals are being accomplished. The insurer's explanation should include:
  - a. Details of any criteria, guidelines, systems, manuals, models, algorithms, or any other methodology the insurer uses to determine which policies are to be non-renewed;
  - b. The time period over which the non-renewals will occur;
  - c. Any corrective actions or mitigation measures that the policyholder or applicant can undertake that would allow the policy to be renewed or remain eligible; including reference to where such actions or measures are set forth (*e.g.*, manual, guideline, algorithm, etc.);
  - d. The number of days of advance notice that will be given to policyholders that are being non-renewed; and
  - e. A copy of the draft non-renewal notice that policyholders will receive. Note that non-renewal notice must satisfy the following conditions:

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<sup>1</sup> In this instance and all others in this document, the definition of a policy of "residential property insurance" is consistent with California Insurance Code §10087. "Policy of Residential Property Insurance" defined.

- i. The insurer must comply with California Insurance Code (CIC) §678(a)(1)(B)(iv) for all notices issued after July 1, 2020 [Reference California Assembly Bill 1813 – 2019].
- ii. The non-renewal notice must provide the reason for the adverse underwriting decision applicable to the specific risk as set forth in CIC §791.10. If there are multiple reasons for the adverse decision, all reasons must be provided, and clearly defined.
- iii. Per CIC §10095.7(b), the non-renewal notice must include reference to the Home Finder [Reference California Assembly Bill 1875 – 2018].
- iv. Per CIC §10095(h), the non-renewal notice must include reference to the California FAIR Plan (“FAIR Plan”).

The reference information to the Home Finder and the FAIR Plan should be displayed on the first page of the non-renewal notice.

3. The following information by ZIP code:

- a. The total number of policies in the program;
- b. The total number of policies being non-renewed; and
- c. The percentage of total policies being non-renewed.

The sample table, below, provides one possible example of how an insurer can provide this information.

(0) ZIP Code	(1) Policy Count	(2) Number of Non- renewed Policies	(3)=(2)/(1) % of Non- Renewed Policies
90001	77	2	2.6%
90002	42	4	9.5%
...	...	...	...
Total	154,047	1,540	1.0%

Adjustments to the insurer’s ratemaking data may be required to reflect the impact of removing non-renewed policyholders from the experience period. Further, for any rule filing in which revised underwriting guidelines result in non-renewals or more restrictive eligibility for new business, a Complete Rate Application with full rate support may subsequently be required at the discretion of the Department if it determines that these non-renewals and restrictions have a material impact on rates.

The Department may require additional information upon review of the material provided with respect to this Exhibit.

### **Restrictions on Writing New Business**

For homeowners and other residential property insurance lines, if the insurer has any manner of restrictions in writing new business, the insurer must also provide its new business restriction details in Exhibit 18 – Rules and Underwriting Guidelines, as outlined in the list below. This information must be provided for new, existing, and transferred program website.

New Business restriction information to be included in Exhibit 18 – Rules and Underwriting Guidelines:

1. What new business restrictions the insurer has (for example, is closed to all new business, will not write new business in certain ZIP codes, will not write new business if the risk's wildfire score equals or exceeds a certain number(s), etc.).
2. Identification of what manual page(s) (for example, the manual section and page number(s)) the new business restrictions are stated.
3. An explanation as to what circumstances could lead the insurer to eliminate or reduce the new business restrictions.

### **Difference in Conditions (DIC) Policies**

For homeowners and other residential property insurance lines, if the insurer offers a Difference in Conditions (DIC) policy to policyholders (1) that are being non-renewed or refused coverage on the basis of their wildfire risk or (2) for any other reason, the insurer must provide the following additional explanations:

1. The circumstances under which a DIC policy is offered (e.g., only offered to policyholders that are being non-renewed or refused coverage on the basis of their wildfire risk).
2. How the insurer discloses or advises the policyholder that the DIC does not cover the peril of fire and other perils that may be covered by a FAIR Plan policy or other policy equivalent to a FAIR Plan policy (include a copy of the notification to the policyholder).
3. How the DIC policy is rated including underlying actuarial support to reflect the elimination of the fire exposure (and other perils that may be covered by a FAIR Plan policy or other policy equivalent to a FAIR Plan policy).
4. How the insurer confirms that the policyholder has secured a FAIR Plan policy or other policy equivalent to a FAIR Plan policy to cover the fire exposure (and other perils that may be covered by a FAIR Plan policy or other policy equivalent to a FAIR Plan policy) upon issuance of a DIC policy.
5. How the insurer confirms that the policyholder is maintaining a FAIR Plan policy or other policy equivalent to a FAIR Plan policy to continue coverage for fire exposure (and other perils that may be covered by a FAIR Plan policy or other policy equivalent to a FAIR Plan policy) upon renewal of a DIC policy.
6. Whether the DIC policy is being offered as a stand-alone policy or if the DIC is offered as a negative endorsement attached to the homeowners or personal residential property policy. If the DIC policy is being offered as an endorsement, explain whether the policy is renewed with the DIC endorsement

attached or if the policy is non-renewed and a new homeowners or personal residential property policy is issued with the DIC endorsement attached.

7. How the insurer communicates to the policyholder the amount of premium credit, discount, or reduction associated with the DIC policy.
8. Whether the DIC policy is being offered as a stand-alone policy or if the DIC is offered as a negative endorsement attached to the homeowners or personal residential property policy. If the DIC policy is being offered as an endorsement, explain whether the policy is renewed with the DIC endorsement attached or if the policy is non-renewed and a new homeowners or personal residential property policy is issued with the DIC endorsement attached.

The Department may require additional information upon review of the material provided with respect to this information.

### **Customer Dislocation**

Per the Prior Approval Rate Filing Instructions, in addition to the standard customer dislocation tables required in Exhibit 20, insurers submitting rate applications for homeowners and other residential property insurance lines must submit additional tables showing the number of policies and the average % and \$ rate impact by ZIP code (see sample table below).

ZIP Code	Number of Policies	Average \$ Rate Impact	Average % Rate Impact	Maximum \$ Rate Impact
90001				
90002				
...				
Total				

For the homeowners line, this information shall be provided separately by policy form.

The Department may require a more granular customer dislocation exhibit after review of the submitted information.