

**DEPARTMENT OF INSURANCE**

ADMINISTRATION &amp; LICENSING SERVICES BRANCH

PRODUCER LICENSING BUREAU

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[www.insurance.ca.gov](http://www.insurance.ca.gov)**NOTICE**

**TO: All Property/Casualty Broker-Agents, Personal Lines Broker-Agents, Surplus Line Brokers and Other Interested Parties**

**SUBJECT: Helping consumers in high risk wildfire areas obtain homeowners' insurance: CDI tools, surplus lines, and the FAIR Plan**

**DATE: October 19, 2015**

**Background**

The California Department of Insurance (CDI) has noted a recent increase in consumers contacting the news media, elected officials and CDI with concerns about the availability and affordability of homeowners' insurance in areas with a high risk of wildfire.

CDI reminds all insurance producers (producers) licensed to transact property insurance of their responsibility to help consumers purchase property insurance, particularly when consumers are finding it difficult to find available and affordable homeowners' insurance. Producers should inform consumers of the tools available on CDI's website to help them shop for residential insurance and, when applicable, assist consumers with finding and applying for homeowners insurance in the non-admitted market (aka surplus lines market) or through the California Fair Access to Insurance Requirements Plan (FAIR Plan).

**Information Available on CDI's Website**

More than 50 insurance companies sell residential insurance in California. CDI has several tools to help consumers shop for residential insurance and make the best decision for their situation. CDI's website (<http://www.insurance.ca.gov/>) includes an annual Homeowner's Premium Survey that compares insurance rates reported by admitted insurers for homeowners insurance, and a Homeowners' Coverage Comparison Tool that provides information about the differences between insurers' policy contracts, including summary information and basic policy forms for each insurer's homeowner's policy coverages.

**The Non-Admitted Market (Surplus Lines)**

If producers are unable to find an admitted insurer willing to insure consumers, they may search the non-admitted market. Producers must first conduct a diligent search of the market, and at least three admitted insurers (that actually write the type of coverage the homeowner is seeking) must decline to insure the customer's home.

After conducting the diligent search, producers may search the nonadmitted market to locate an insurer willing to insure the consumer's home. To make a placement in the nonadmitted market, producers must either be licensed as a surplus line broker, or go through a surplus line broker, to make such placements. Producers not already familiar with the process for placing insurance in the nonadmitted market, and/or who want to locate licensed surplus line brokers in their area, can obtain this information by visiting the Surplus Line Association of California's website at <http://www.slacal.org/home/broker/>

## **California Fair Access to Insurance Requirements (FAIR Plan)**

Established under State law, the FAIR Plan is the insurer of last resort for homeowners who are unable to purchase insurance for their home or business in the normal insurance market.

The FAIR Plan offers basic property insurance. The policy covers both the structure and contents for limited perils as defined in the Standard Fire Policy for extended coverage and for vandalism and malicious mischief. For dwelling fire policies, the maximum policy limit is \$1.5 million in total for dwelling, contents, other structures and building code upgrade coverage.

Producers have an obligation under California Insurance Code (CIC) Section 10095.5 to assist consumers in completing the insurance application for the FAIR plan and/or providing the FAIR Plan's toll-free number (800) 339-4099.

California Insurance Code Section 10095.5. (a) The association shall establish and maintain a statewide toll-free "800" number through which persons may receive assistance in applying for insurance through the plan. The association shall cause the number to be published in all general distribution telephone directories in California.

(b) Every insurance agent or broker transacting basic property insurance shall either assist persons in making application for insurance through the plan or provide persons who desire that insurance with the toll-free number established pursuant to subdivision (a).

CDI will be conducting an investigation to determine whether producers are complying with this statute and making appropriate referrals to the FAIR Plan.

In order to better serve clients, CDI recommends producers actually assist the consumer in completing the FAIR Plan application, rather than merely referring the consumer to the FAIR Plan.

Producers act as insurance brokers for applicants and policyholders when transacting with the FAIR Plan. Producers may not charge any fee, directly or indirectly for services related to procuring coverage from the FAIR Plan. The commission paid for policies in the FAIR Plan is 10% for new business and 8% for renewals.

Producers who have never placed business through the FAIR Plan or are in need of a refresher can learn how to register and start submitting business by going to the FAIR Plan's webpage for new brokers at <http://www.cfpnet.com/Newbrokers.html>

If you have any questions regarding this notice, please e-mail the Producer Licensing Bureau at <https://interactive.web.insurance.ca.gov/pli/servlet/InformationRequest> or call the CDI's Producer Licensing Bureau at (800) 967-9331. Please be sure to include your name, telephone number, license number and e-mail address in all correspondence with the CDI.