

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION
Rate Enforcement Bureau
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Attorneys for The California Department of Insurance

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

In the Matter of the Rate and Rating Plan
Application of

CSAA Insurance Exchange

Applicant.

File No. PA-2021-00002

SETTLEMENT STIPULATION

CSAA Insurance Exchange ("Applicant"), Petitioner Consumer Watchdog ("Petitioner") and the California Department of Insurance ("Department") (collectively, the "Parties") stipulate as follows:

RECITALS

A. Applicant is licensed by the Department to transact homeowners ("HO") insurance business in California.

B. On or about November 20, 2020, Applicant filed rate application HO 20-4189 (the "Application") with the Department through the System for Electronic Rates and Form Filing ("SERFF") requesting a 20% rate increase (the "New Rate") for its HO line of insurance.

C. On or about November 27, 2020, pursuant to California Insurance Code ("CIC") section 1861.05(c), the Department notified the public of the Application.

D. On January 11, 2021 Petitioner submitted a timely Petition for Hearing, Petition

1 to Intervene, and Notice of Intent to Seek Compensation regarding the Application (the
2 "Petition").

3 E. On January 19, 2021, Applicant filed an Answer to the Petition.

4 F. On February 5, 2021, the Commissioner granted Petitioner's Petition to Intervene.

5 G. The Parties have engaged in discussions regarding the Application and additional
6 information and analysis which the Parties provided.

7 **STIPULATION**

8
9 1. This Stipulation, together with the updated Application and the Commissioner's
10 approval in SERFF, represents the complete and final settlement resolving all issues between the
11 Parties regarding the Application.

12 2. Based upon the Application and additional information which the Parties
13 provided, the parties agree that an overall rate increase of 18.55%, before the impact of rate
14 capping described in paragraph 3(a), below, is supportable and should be implemented in
15 accordance with this Stipulation. Applicant has made appropriate updated rate and rule filings in
16 SERFF to reflect the overall rate increase, the rate capping proposal, and the discount described
17 in section 3(b) below. Approval of the rate and rule filings described in this Stipulation will only
18 be effective when approved by the Commissioner in SERFF. Applicant will implement the rate
19 increase with an effective date of November 26, 2021.
20

21 3. Additionally, the Parties agree as follows:

22 (a) Applicant agrees to the phase-in of large individual premium increases for policy
23 renewals as follows:
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	<u>First Renewal Term</u>	<u>Subsequent Terms</u>
Max Rate Change:	65%	Uncapped

1 (b) Applicant will implement a 5% property mitigation discount ("FYR Lite"), in
2 addition to the Fortify Your Residence ("FYR") and Fortify Your Community ("FYC")
3 discounts, consistent with the descriptions set forth in Exhibit A.
4

5 (c) Applicant has filed revisions to its underwriting guidelines that reflect the
6 following limitations on non-renewal of HO insurance, provided that these limitations apply only
7 to nonrenewal based solely on the Wildfire Risk Assessment described in the rule manual
8 referenced in Applicant's rate filing 20-4189 (the "Manual") and do not apply to non-renewal for
9 any other reason:

10 (i) No non-renewals due to a Wildfire Risk Assessment (see Exhibit A, page 3) shall
11 be issued for policies with effective dates in years 2021, 2022, or 2023.
12

13 (ii) For policies qualifying for both the FYR and FYC discounts, no non-renewals
14 shall be issued for five policy terms after the initial date of qualification, provided the
15 policyholder and local community continue to comply with the requirements of FYR and FYC.

16 (d) The limitations on non-renewals set forth in paragraph (3)(c) above will no
17 longer be applicable in the event Applicant experiences calendar year catastrophe losses in
18 excess of \$150,000,000. In that event, Applicant may, after giving 30 days written notice to the
19 Commissioner phase in non-renewals over a period of two years. The notice will provide
20 Applicant's assessment that calendar year catastrophe losses, as defined below, will be in excess
21 of \$150,000,000 and the number of policies that may be non-renewed. Applicant will select
22 policies for non-renewal in year 1 and year 2 based on fair, reasonable, and objective criteria
23 reflected in its Wildfire Assessment underwriting eligibility criteria established in the Manual
24 attached hereto as Exhibit A. No more than one-half of the policies eligible for non-renewal may
25 be non-renewed in year 1 and the balance of policies eligible for non-renewal may be
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1 nonrenewed in year 2. The policies that may be non-renewed in year 1 (subject to statutory
2 limitations on non-renewals) will be those that expose Applicant to the greatest financial risk, as
3 determined by using the Expected Combined Ratio formula on page 4 of the Wildfire
4 Assessment underwriting guidelines (see Exhibit A, page 4). Specifically, the Expected
5 Combined Ratio calculation will be used to rank policyholders by their Expected Combined
6 Ratio, and the policyholders with the highest Expected Combined Ratios will be deemed to
7 expose the company to the greatest financial risk for purposes of this non-renewal moratorium.
8 The policies that may be non-renewed in year 2 will be policies that were not eligible for non-
9 renewal in year 1 due to statutory limitations on non-renewal and policies that were eligible for
10 non-renewal, but deferred, in year 1.

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13 (e) "Catastrophe losses" for purposes of this section means losses, excluding defense
14 and cost containment expenses, caused by wildfire for the HO-3 insurance policies, the net of
15 reinsurance and subrogation, which will include anticipated subrogation and any sale or
16 anticipated sale of subrogation rights. Applicant will make a good faith assessment of the value
17 of anticipated wildfire losses, and the value of anticipated reinsurance and subrogation recoveries
18 and will include that assessment in the notice provided to the Commissioner.

19
20 (f) In the event the nonrenewal restrictions are lifted pursuant to subsection 3(d)
21 above, Applicant will take FYR and FYR Lite eligibility into consideration in connection with
22 any future non-renewal analyses, and policies in compliance with FYR and FYR Lite criteria
23 will be deprioritized in any future non-renewal programs.

24 (g) CSAA is committed to ongoing discussion with wildfire experts, including
25 Insurance Institute for Business & Home Safety ("IBHS") and Wildfire Partners, to identify the
26 most impactful wildfire mitigation actions in reducing wildfire losses. Should IBHS or Wildfire
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1 Partners identify any new or additional mitigation actions, which are supported by objective data,
2 that are not substantially included in Applicant's FYR or FYR Lite discount eligibility criteria
3 and better achieve wildfire risk mitigation, Applicant agrees to in good faith consider
4 incorporating such mitigation actions to allow greater access to the FYR and FYR Lite discounts.
5

6 (h) Applicant agrees to report the following data to the Commissioner, and to allow
7 Petitioner access to the data, on a quarterly basis for two years following the effective date of the
8 New Rate:

9 (i) Number of policyholders who qualified for the FYC discount;
10 (ii) Number of policyholders eligible to apply for the FYR or FYR Lite discounts
11 (i.e., HO-3 policyholders who have a FireLine® score of 1 or more and do not have a FAIR Plan
12 Companion Endorsement);

13 (iii) Number of policyholders who applied for the FYR, FYC and/or FYR Lite
14 discounts;

15 (iv) Number of policyholders who upon initial inspection qualified for and received
16 the FYR or FYR Lite discounts;

17 (v) The five most common reason(s) (based on filed eligibility requirements) why
18 policyholders did not qualify for FYR or FYR Lite discounts;

19 (vi) Number of policyholders who upon initial inspection did not qualify for FYR or
20 FYR Lite discounts, but upon subsequent inspection did qualify for and received the FYR and/or
21 FYR Lite discounts; and

22 (vi) The five most common reason(s) (based on filed eligibility requirements) why
23 policyholders did not qualify on initial inspection for either FYR or FYC, but did qualify on
24 subsequent inspection.
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1 4. This Stipulation does not constitute an endorsement or approval of models
2 generally, or any specific model, eligibility or nonrenewal criteria, or rating methodology.

3 5. Consistent with 10 CCR sections 2656.1(b) and 2662.3(c), no agreement
4 regarding Petitioner's compensation has been made. However, the Parties agree that the
5 Commissioner's approval of the Application, consistent with this Stipulation, will be a decision
6 or order within the meaning of CIC section 1861.10(b). Petitioner agrees to submit any request
7 for compensation to the Public Advisor within 30 days after notice of the Commissioner's
8 approval in SERFF.
9

10 6. Petitioner will withdraw its Petition for Hearing within 10 days after notice of the
11 Commissioner's approval in SERFF.
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13 7. This Stipulation is made solely to reach a compromise among the Parties.
14 Pursuant to 10 CCR section 2656.4, discussions, admissions, concessions or offers to stipulate or
15 settle made by any party in negotiating this stipulated settlement, are confidential and are not
16 discoverable or admissible for any purpose in any proceeding, except to the extent permitted by
17 10 CCR section 2662.3(b)(3), and the Commissioner's approval of the Application shall not
18 constitute approval of or precedent regarding any principle or any issue in any other proceeding.
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20 8. The Commissioner retains jurisdiction to ensure the Parties comply with this
21 Stipulation.

22 9. This Stipulation may be executed in counterparts.
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Dated: September 2, 2021

By: 

Michael Zukerman
Executive Vice President, Chief Legal Officer
CSAA INSURANCE EXCHANGE

Dated: September ___, 2021

By: _____

Kenneth Allen
Deputy Commissioner, Rate Regulation Branch
CALIFORNIA DEPARTMENT OF INSURANCE

Dated: September ___, 2021

By: _____

Daniel L. Sternberg, Esq.
Staff Attorney
CONSUMER WATCHDOG

1 Dated: September 2, 2021

By: Michael J. Zukerman

2 Michael Zukerman
3 Executive Vice President, Chief Legal Officer
4 CSAA INSURANCE EXCHANGE

5 Dated: September 9, 2021

By: Kenneth H. Allen

6 Kenneth Allen
7 Deputy Commissioner, Rate Regulation Branch
8 CALIFORNIA DEPARTMENT OF INSURANCE

9 Dated: September _____, 2021

By: _____

10 Daniel L. Sternberg, Esq.
11 Staff Attorney
12 CONSUMER WATCHDOG
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1 Dated: September 2, 2021

By: Michael J. Zukerman

2 Michael Zukerman
3 Executive Vice President, Chief Legal Officer
4 CSAA INSURANCE EXCHANGE

5 Dated: September ____, 2021

By: _____

6 Kenneth Allen
7 Deputy Commissioner, Rate Regulation Branch
8 CALIFORNIA DEPARTMENT OF INSURANCE

9 Dated: September 9, 2021

By: Dan L. Sternberg

10 Daniel L. Sternberg, Esq.
11 Staff Attorney
12 CONSUMER WATCHDOG
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EXHIBIT A

Exhibit A
California Homeowners Insurance Manual

HO-3 SPECIAL FORM

Eligibility Guidelines

Applicant:

Policies written or renewed in the name of a CSAA member, the members spouse or domestic partner.

Occupancy:

- An owner-occupied dwelling which is used exclusively for private residential purposes and contains not more than 4 units and with not more than 2 boarders or roomers per unit. An owner who does not reside in the dwelling must be added as an additional insured (HO-41). When a duplex, triplex or fourplex is occupied by co-owners each residing in a separate unit, a policy should be written with all resident owners as named insureds. If coverage C and D need to be raised above the maximum limits, it must be approved by underwriting.
- An owner/occupied Townhouse where insurance on the structure is not provided through the owners' association.

Territory:

Dwellings must be located in CSAA's¹ territory of California.

Amounts of Coverage:

- All risks MUST be insured to at least 100% of replacement cost.
- Sales Agents may bind eligible risks with Coverage A limit of up to \$1,000,000. Limits above that amount require PRIOR approval from underwriting.

Loss History

Risks can be bound with up to five applicant-related claims in the five years previous to the effective date of the policy. No more than one of the losses in the previous five years can be a liability loss.

An **applicant-related claim** is a loss the applicant incurred at the risk address or at a location previously owned or occupied by the applicant, or away from the premises (such as a theft of a property from a vehicle). In contrast, a **property-related claim** is a loss at the risk location when the applicant did not own or reside or have care, custody or control of the risk location.

Prior claims used for qualification purposes must represent a substantial relationship to risk of future loss. We consider only applicant-related claims for qualification. A claim means any paid claim or any open claim. Therefore, any loss that was closed without payment (CWP) is not considered a claim.

A risk with a property-related claim may be inspected to determine if the condition of property is acceptable.

- Chargeable Claims include:
 - Losses occurring in the past 3 years
 - Losses that occurred during the time the applicant lived at the residence
- Chargeable Claims **do not** include:
 - Losses on the residence the applicant is buying if presented by previous owner
 - Losses on rental properties owned by the applicant if the property was tenant occupied at the time the loss was presented
 - Catastrophes as indicated by Property Claims Services (PCS) or similar services for Prior Claims, and the CSAA Claims Department for Experience Claims.

Prior Claim Experience:

Loss History will be verified by a CLUE report.

Prior Cancellation or Non-Renewal:

Applicants who have been canceled, refused insurance or non-renewed by another carrier in the past three years; ask for documentation of the reason. Applicants who refuse to provide documentation are NOT eligible. Upon

¹ CSAA's territory consists of the Zip codes in the following counties: Alameda, Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Fresno, Glenn, Humboldt, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino, Merced, Modoc, Monterey, Napa, Nevada, Placer, Plumas, Sacramento, San Benito, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, Yuba.

Exhibit A

California Homeowners Insurance Manual

receipt of documentation, refer to other Eligibility Guidelines for acceptability.

CSAA policyholders who have been cancelled more than once in the previous 36 months for non-payment of premium, are not eligible unless 100% down payment is received.

Property Features

Foundations:

Any of the following situations make the risk ineligible:

1. Pier and Post foundations regardless of retrofitting.
2. Homes on unreinforced masonry foundations.
3. Wood foundations.
4. Homes with over 50% of the dwelling supported on poles, stilts, columns or cantilevers.
5. Homes not bolted or strapped to the foundation. The anchor bolts or straps must be embedded a minimum of every six feet and within 12 inches of the end of the mudsill.

Wildfire Risk Assessment:

New business effective 11/09/2019 and later must meet the maximum FireLine® score in its respective category in order to be eligible.

Wildfire Risk Assessment	FireLine® Score	Eligibility
If Category A area then	0 and above	Not Eligible
If Category B area then	0	Eligible on exception basis
If Category C area then	1 and below	Eligible on exception basis
If Category D area then	2 and below	Eligible on exception basis
If Category E area then	3 and below	Eligible
If Category F area then	4 and below	Eligible
If Category G area then	6 and below	Eligible

The categories are assessed as follows:

Category	% Area ² Wildfire Burned in Last 30 years	% Area ¹ Classified as Non-Water and WUI/Vegetation	% Area ¹ Classified as Developed by National Land Cover Database	Estimated Market Share
A	>= 10%	>= 80%	= 0%	N/A
B	>= 10%	>= 80%	<= 20%	N/A
C	>= 10%	>= 60%	<= 20%	>= 10%
D	>= 10%	>= 60%	<= 20%	< 10%
E	>= 5%	>=40%	<= 40%	N/A
F	>= 5%	>= 20%	<= 60%	N/A
G	>= 0%	>= 0%	<= 100%	N/A

These measures are objectively and consistently applied through objective measures from external sources:

- **% Area Wildfire Burned in Last 30 Years:** percentage of the area overlapped by fire perimeters from 1986-2015 as defined by the California Public Utilities Commission (CPUC). Source: <https://ia.cpuc.ca.gov/firemap/>
- **% Area Classified as Non-Water and WUI/Vegetation:** percentage of the area overlapped by Wildland Urban-Interface (WUI) classified Intermix (areas where housing and vegetation intermingle) and Interface (areas with housing in the vicinity of contiguous wildland vegetation), excluding Water (areas with bodies of water) as defined by University of Wisconsin-Madison Silvics Lab. Source: <http://silvis.forest.wisc.edu/data/wui-change/>
- **% Area Classified as Developed by National Land Cover Database:** percentage of the area overlapped by National Land Cover Database (NLCD) classified Developed areas (areas mixed with constructed materials, including commercial/industrial units, single-family housing units, recreation parks, and golf courses) as defined by Multi-Resolution Land Characteristics Consortium. Source: <https://www.mrlc.gov/national-land-cover->

² Area refers to Census Block Group (CBG)

Exhibit A California Homeowners Insurance Manual

database-nlcd-2016)

- **Market Share:** number of policies per household units at the zip code level as defined by Census Bureau.
Source: <https://www.census.gov/data.html>

***Please note:** For new business, we will make an exception for properties with wood shingle or wood shake roofs for FireLine® scores 2 and below. For Homeowners new business risks that fall into Categories B, C, and D, we will make exceptions for customers who already have a CSAA policy insuring other risks. These exceptions are objectively and consistently applied at bind, where a system-generated message in our policy administration system indicates a property's eligibility and the basis for any exception.

These Wildfire Risk Assessment guidelines will be applied to renewal business on an exception basis. Evaluation of exceptions to the Wildfire Risk Assessment guidelines will be determined by the exception criteria calculation as follows:

- **Expected Combined Ratio** = (Expected Losses + Expected Expenses) / Expected Premium
 - **Expected Losses:**
 - **Actual Non-CAT Loss & LAE:** calculated state-level pure premium per policy based on internal data from the most recent complete calendar year
 - **Expected CAT Loss & LAE:** calculated location-level modeled average annual loss (AAL) based on AIR Wildfire and a blend of RMS and AIR Earthquake Fire Following, which were previously filed in CDI Filing #19-824, as well as a blend of RMS and AIR Severe Thunderstorm and Winterstorm
 - **Expected Expenses:**
 - **Actual Underwriting Expenses:** calculated at the state level based on internal data of acquisition and other underwriting expenses from the most recent complete calendar year
 - **Expected Capital Costs:** calculated based on county-level capital costs allocated to the policy level based on by peril AAL for the most recent complete calendar year
 - **Expected Premium:**
 - calculated based on internal data of direct in-force premium, uncapped, and on-leveled.

Renewal business no longer eligible for renewal based on application of the Wildfire Risk Assessment guidelines with an Expected Combined Ratio less than 155% will continued to be renewed. The company's intent is to continue to offer renewals to all policyholders at sustainable and actuarial sound rates.

Non-renewal moratorium for Non-renewals based on application of Wildfire Risk Assessment Eligibility Criteria

1. The application of the Wildfire Risk Assessment eligibility criteria will not be used as a basis for non-renewing policies with effective dates in years 2021, 2022, or 2023, except as provided in paragraph 3 below.

2. For policies qualifying for both the FYR and FYC discounts, Wildfire Risk Assessment eligibility criteria will not be used as a basis for non-renewing policies for five policy terms after the initial date of qualification, provided the policyholder and local community continue to comply with the requirements of FYR and FYC, except as provided in paragraph 3 below.

3. The limitations on non-renewals set forth in paragraphs 1 and 2 above will no longer be applicable in the event the company experiences calendar year catastrophe losses in excess of \$150,000,000. In that event, the company may, after giving 30 days written notice to the Commissioner phase in non-renewals over a period of two years. The notice will provide the company's assessment that calendar year catastrophe losses, as defined below, will be in excess of \$150,000,000 and the number of policies that may be non-renewed based on the application of the Wildfire Risk Assessment eligibility criteria. The company will select policies for non-renewal in year 1 and year 2 based on fair, reasonable, and objective criteria reflected in its Wildfire Assessment underwriting eligibility criteria. No more than one-half of the policies eligible for non-renewal may be non-renewed in year 1 and the balance of policies eligible for non-renewal may be non-renewed in year 2. The policies that may be non-renewed in year 1 (subject to statutory limitations on non-renewals) will be those that expose the company to the greatest financial risk, based on the above **Expected Combined Ratio** calculation. Specifically, the Expected Combined Ratio calculation will be used to rank policyholders by their Expected Combined Ratio, and the policyholders with the highest Expected Combined Ratios will be deemed to expose the company to the greatest financial risk for purposes of this non-renewal moratorium. The policies that may be non-renewed in year 2 will be policies that were not eligible for non-renewal in year 1 due to statutory limitations on non-renewal and policies that were eligible for non-renewal, but deferred, in year 1.

4. "Catastrophe losses" for purposes of this section means losses, excluding defense and cost containment expenses, caused by wildfire for the HO-3 insurance policies, the net of reinsurance and subrogation, which will include anticipated subrogation and any sale or anticipated sale of subrogation rights. The company will make a good faith assessment of the value of anticipated wildfire losses, and the value of anticipated reinsurance and subrogation recoveries and will include that assessment in the notice provided to the Commissioner.

Exhibit A
California Homeowners Insurance Manual

5. In the event the nonrenewal restrictions are lifted pursuant to paragraph 3 above, the company will take FYR and FYR Lite eligibility into consideration in connection with any future non-renewal analyses, and policies in compliance with FYR and FYR Lite criteria will be deprioritized in any future non-renewal programs by reflecting the impact of FYR and FYR Lite actions taken by the policyholder in any calculation of the policy's **Expected Combined Ratio**. Any such analysis of the impact of FYR and FYR Lite will take into consideration any improvement in loss experience by policyholders who have qualified for FYR and FYR Lite based on the most recent company loss data, or such other reliable loss data that can be used to quantify the impact of such home hardening actions.

Course of Construction:

New dwellings in the course of construction must meet the following criteria:

- a. The policy is issued only in the name of the intended owner-occupant of the dwelling. Dwellings being built for speculation, a.k.a. Builders Risk, are not eligible.
- b. Built by a licensed contractor having a completion date within 180 days of the policy effective date.
- c. Policy deductible is \$1,000 or greater
- d. A copy of a certificate of insurance, showing workers compensation and general liability, from the contractor is required with the application.
- e. Coverage A must be calculated on the basis of 100% of the completed replacement cost.

Remodeling:

Dwellings that are currently undergoing any remodeling must meet the following criteria:

- a. Work is being done by a licensed contractor and the work will be completed within 180 days of the policy effective date.
- b. The home remains occupied during the remodel.
- c. A copy of a certificate of insurance, showing workers compensation and general liability, from the contractor is required with the application
- d. Coverage A must be calculated on the basis of 100% of the completed replacement cost.

Detached Structures:

Any of the following situations makes the risk ineligible:

1. A request for an Excluded Detached Structure Endorsement (HO-300) or the presence of an ineligible detached structure on the premises.
2. Any detached structure over 50% of Coverage A.
3. Over 3 detached structures on premises.

Farm/Ranch:

Farm /Ranch property where the Farm/Ranch use is incidental and not for profit.

Mobile/Manufactured Homes:

Mobile/Manufactured homes are not eligible for an HO-3 policy.

Log Homes:

Log homes are eligible provided they are located in protection class 1 through 8 and constructed by a qualified licensed contractor.

Protection Class:

Risks located in protection classes 1 through 10 are eligible.

Vacant Dwellings:

Dwellings that are currently vacant are NOT eligible. Dwellings in the course of construction are not deemed to be vacant. Newly purchased dwellings MUST be occupied within 30 days of the effective date of the policy

Secondary and Seasonal Homes:

Secondary and Seasonal dwellings MUST meet all eligibility guidelines and have an active, or concurrently written, primary dwelling insured with CSAA. Any rental exposure will make the risk ineligible.

Wood Burning Stoves:

1. A stove must pass the Solid Fuel Stove Inspection to qualify.
2. The following situations are INELIGIBLE for coverage:
 - Risks with a solid fuel stove as the sole or primary heat source.
 - Barrel or homemade solid fuel stoves.

Exhibit A
California Homeowners Insurance Manual

Trampolines:

Trampolines on premises must have the following safety measures in place or the risk is NOT eligible:

1. Secure perimeter fencing.
2. "Safety Padding" – Padding covering the hooks and springs around the perimeter of the trampoline.
3. Trampoline should be located in an open area away from hazards that cannot be jumped from or landed on including but not limited to:
 - Building structures
 - Fences
 - Walls
 - Trees
 - Pools
 - Hot tubs
 - Concrete patios or driveways

Unacceptable Hazards and/or Liability Exposures:

1. Home with a water heater that is not strapped to the wall with at least one strap.
2. Homes with a water heater not raised at least 18 inches from the floor. (This applies to gas water heaters in the garage only.)
3. Dwellings or premises that show signs of deferred maintenance including but not limited to the following:
 - a. Roofs that have exceeded their useful life
 - b. Dwellings or premises that have signs of unrepaired damage.
 - c. Peeling paint
4. Dwellings or premises that show signs of clutter or unsanitary conditions including but not limited to the following:
 - a. Piles of rubble, newspapers, combustible materials or other household garbage not containerized or kept in a clean manner
 - b. Tires, car batteries and other hazardous waste piled in yards
 - c. Disabled/non-functioning home appliances
 - d. Abandoned or dilapidated vehicles stored in or on the property
5. Swimming pools that are unfenced.
6. Broken or uneven sidewalks or steps that create a trip and fall hazard.
7. Dwellings of unusual or non-conventional construction.
8. Dwellings located within 500 feet of bay or coastal waters.
9. Dwellings which are located in remote areas or are inaccessible to emergency or fire fighting equipment.
10. Requests for an Additional Insured Endorsement (HO-41 or HO-299) to add non-individuals such as, municipalities, businesses, corporations or companies.
11. Any request for Additional Residence Premises Rented to Others Endorsement (HO-70) that exceeds 6 locations. Each location will require a C.L.U.E. report and must meet the Loss History Eligibility Guideline.
12. Commercial or mercantile buildings of any type.
13. Dwellings with an unacceptable wildfire risk assessment.

Home Day Care:

Day care homes/centers or similar situations which involve continuous child or adult care for compensation must be licensed and insured. Include a copy of the license and proof of insurance with the application. The license must not be for more persons than the following or the risk is NOT eligible.

- A maximum capacity of 4, when all 4 children are infants*
- A maximum capacity of 6, when 4 or less children are infants*
- A maximum capacity of 8, when 2 or more children are at least 6 years old and no more than 2 children are infants*

*An infant is considered to be any child that is less than 18 months of age.

Exhibit A
California Homeowners Insurance Manual

Animals:

Applicant(s)/named insured(s) must not own, care for or have custody of any dogs or other animals, reptiles, and/or pets with any of the following characteristics. Any of the following will make the risk ineligible:

- Any prior bite history. Prior bite history means any history of biting, attacking, or otherwise injuring any person or animal on one or more occasions, as established by any of the following:
 - Court records;
 - Insurance records whether or not a claim was paid;
 - The records of a local safety, law enforcement, or similar agency; or
 - Statements or other verifiable evidence obtained during our investigation on one or more occasions prior to the date of the loss for which coverage is sought.
- Any Vicious Dogs, exotic and/or dangerous animals/pets (even if excluded from liability coverage).
 - A Vicious Dog is defined as a dog with ancestry (pure or mix breed) properly classified as any of the following breeds:
 - Akita;
 - Chow;
 - Doberman Pinscher;
 - Pit Bulls and Pit Bull type, which includes, but is not limited to, American Pit Bull Terriers, American Staffordshire Terriers, and Staffordshire Bull Terriers;
 - Presa Canario;
 - Rottweiler; or
 - Wolf, Wolf Hybrid or Wolf Dog
 - A "Vicious Dog" also means any dog used or bred for fighting with any other dog; or any dog trained to attack persons or animals. However, "Vicious Dog" does not include a dog used as a service or guide dog.
 - Exotic animals include, but are not limited to:
 - non-domesticated feline;
 - non-human primate;
 - venomous or poisonous animal;
 - caiman, alligator, or crocodile;
 - bear;
 - wolf;
 - jackal;
 - fox; or
 - coyote;
 - Including any hybrid of these animals

Business Office Occupancy (HO-42):

A request for a Business Office Occupancy Endorsement with any of the following makes the risk ineligible:

1. Business property in excess of \$50,000.
2. A professional liability exposure which is uninsured.
3. Foot traffic exceeding two customers per week.
4. Business being conducted in a detached structure or business equipment being stored in a detached structure.
5. Business involving hazardous operations.
6. Business involving the manufacturing or repairing of goods or products.
7. Employees working on premises.

Certificates of Insurance (HO-299):

Review the contract agreement for the following:

For wedding receptions, anniversaries and parties for close family requests:

- The name and address of the event location along with the date of the event must be included.

For Golf Carts requests:

- Verify, if the cart is being used for golfing purposes only and remains on the golf course or the grounds or roads within the golf development.
- The name and address of the golf course must be included.

For Boat Dock requests:

- Verify that CSAA is insuring the boat for liability (HO-75).
- ☐ The name and address of the marina must be included

Exhibit A

California Homeowners Insurance Manual

Chattel Mortgage:

- The name and address of the mortgagee, loan number and what the chattel is for

Any Certificates of Insurance requests where the following situation(s) exist make the risk ineligible;

1. Contract agreement is not in the name of the named insured.
2. A gathering where the number of guests exceeds 500.
3. A gathering where guests will have access to a swimming pool.
4. Requests to add non-individual(s) as an additional insured such as, municipalities, businesses, corporations or companies.
5. Contract agreement has a "hold harmless" clause. (CSAA provides personal liability coverage only)
6. Request for Certificate of Insurance for leased land.

Discounts

CSAA Employee Discount - An employee discount will apply to all permanent CSAA employees who are the primary policyholders on the Homeowners policy and all endorsements. The discount will be applied at the inception of each new and renewed policy. The discount will be eliminated upon termination of employment. Retired employees, who are eligible for benefits, and CSAA Directors, are also eligible to receive the employee discount.

Senior Discount - A senior discount will apply to HO-3 policies provided at least one named insured is age 65 or older. Secondary residences do not qualify for this discount.

Smoke and Burglar Alarm Discount - A discount will apply to all HO-3 policyholders provided the dwelling has the following protective devices:

Smoke Alarm

Also known as a fire alarm. A device that effectively alerts the insured, neighbors and/or law enforcement agencies that a fire is occurring. See Local Alarm and Central Alarm for information on alarm types.

Local Alarm: A local alarm is a device that alerts the insured or neighbors, it does not report to a monitoring agency.

Central Alarm: A central alarm is a device that reports to a monitoring agency and/or a police department.

Burglar Alarm

A device that effectively alerts the insured, neighbors and/or law enforcement agencies, that an intruder is entering the residence premises. See Local Alarm and Central Alarm for information on alarm types.

Local Alarm: A local alarm is a device that alerts the insured or neighbors, it does not report to a monitoring agency.

Central Alarm: A central alarm is a device that reports to a monitoring agency and/or a police department.

Note: Homes under the course of construction or have the FAIR Plan Companion Endorsement (FPCECA) do not qualify for this discount.

Fortify Your Residence Discount – A discount will apply to all HO-3 policyholders who have a FireLine® score of 1 or more, and have met and maintained all criteria in Categories A and B. **Note:** Policies with FAIR Plan Companion Endorsement (FPCECA) do not qualify for this discount.

Fortify Your Residence Lite Discount – A discount will apply to all HO-3 policyholders who have a FireLine® score of 1 or more, and have met and maintained all criteria in Category A, and 3 out of 5 criteria groups in Category B. **Note:** Policies with FAIR Plan Companion Endorsement (FPCECA) do not qualify for this discount.

Fortify Your Community Discount – A discount will apply to all HO 3 policyholders who live in a community that is part of a CSAA-approved program with active and ongoing wildfire risk mitigation efforts in place, including, but not limited to the establishment of:

- Community defensible space with regular debris removal and maintenance,
- Fuel breaks adjacent to the community,
- Multiple and easily accessible ingress and egress routes to and from the community,
- Community home hardening standards, including, but not limited to IBHS Suburban Wildfire Adaptation Roadmaps.

Note: Policies with FAIR Plan Companion Endorsement (FPCECA) do not qualify for this discount.

Exhibit A

California Homeowners Insurance Manual

The following criteria is covered in the IBHS Suburban Wildfire Adaptation Roadmaps:

Category	Criteria Group	Criteria
Category A	1. Structure	<ul style="list-style-type: none"> Roof cover must be of clay tiles, slate, asphalt fiberglass composition shingles, concrete tiles or complete roof assembly must be Class A-rated. Walls, sidings, claddings, dormers, gutters and exterior doors, must be made of noncombustible materials. The exterior area underneath bay windows must be enclosed with noncombustible siding material.
	2. Defensible Space: 0-5 Feet Zone	<ul style="list-style-type: none"> In the 0-5 feet zone, must not have combustible material, such as plant vegetation, bark mulch, firewood, outdoor furniture, trash cans, pet houses, lawn tools, and children's playsets. Fences must be made of noncombustible materials (at least first 5 feet attached to home) and have a single layer. Property must be free from debris accumulation, such as in roofs, valleys, dormers, gutters, vents, reentrant corners, decks, and base of the fence.
Category B	1. Defensible Space: 5-100 Feet Zone	<ul style="list-style-type: none"> In the 5-100 feet zone, plant vegetation must be low-flammability with adequate horizontal and vertical spacing. Examples are provided below. Property must be free from debris accumulation. Parking areas for recreational vehicles (e.g., RV, boats, and campers) must be at least 100 feet away from the closest structure.
	2. Openings	<ul style="list-style-type: none"> Exterior garage doors must have weather stripping to reduce gaps between doors and door openings to 1/8 inch or less. Chimneys must have a spark arrestor with a 1/2 inch or finer noncombustible mesh screening. Attic must be unvented or use either metal Miami-Dade wind-driven rain compliant ridge vents or wildfire-resistant off-ridge vents. All vents, crawl space or decks less than 4 feet high must have 1/8-inch or finer noncombustible mesh screening. Eaves and soffits must be enclosed using noncombustible materials with strip vents positioned near overhang edge.
	3. Windows	<ul style="list-style-type: none"> Exterior windows, skylights and exterior glazed doors must be constructed of multi-pane glazing with a minimum of one tempered pane.
	4. Decks	<ul style="list-style-type: none"> Decks must use a metal substructure and noncombustible or high-density deck boards.
	5. Other Structures	<ul style="list-style-type: none"> Other structures larger than 25 square feet within 30 feet of the home must be made of noncombustible materials.

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Example of Horizontal Spacing

- If the slope is less than 20%, at a minimum, clearance between trees must be 10 feet and clearance between shrubs must be 2 times the height of shrubs.
- If the slope is 20-40%, at a minimum, clearance between trees must be 20 feet and clearance between shrubs must be 4 times the height of shrubs.
- If the slope is greater than 40%, at a minimum, clearance between trees must be 30 feet and clearance between shrubs must be 6 times the height of shrubs.

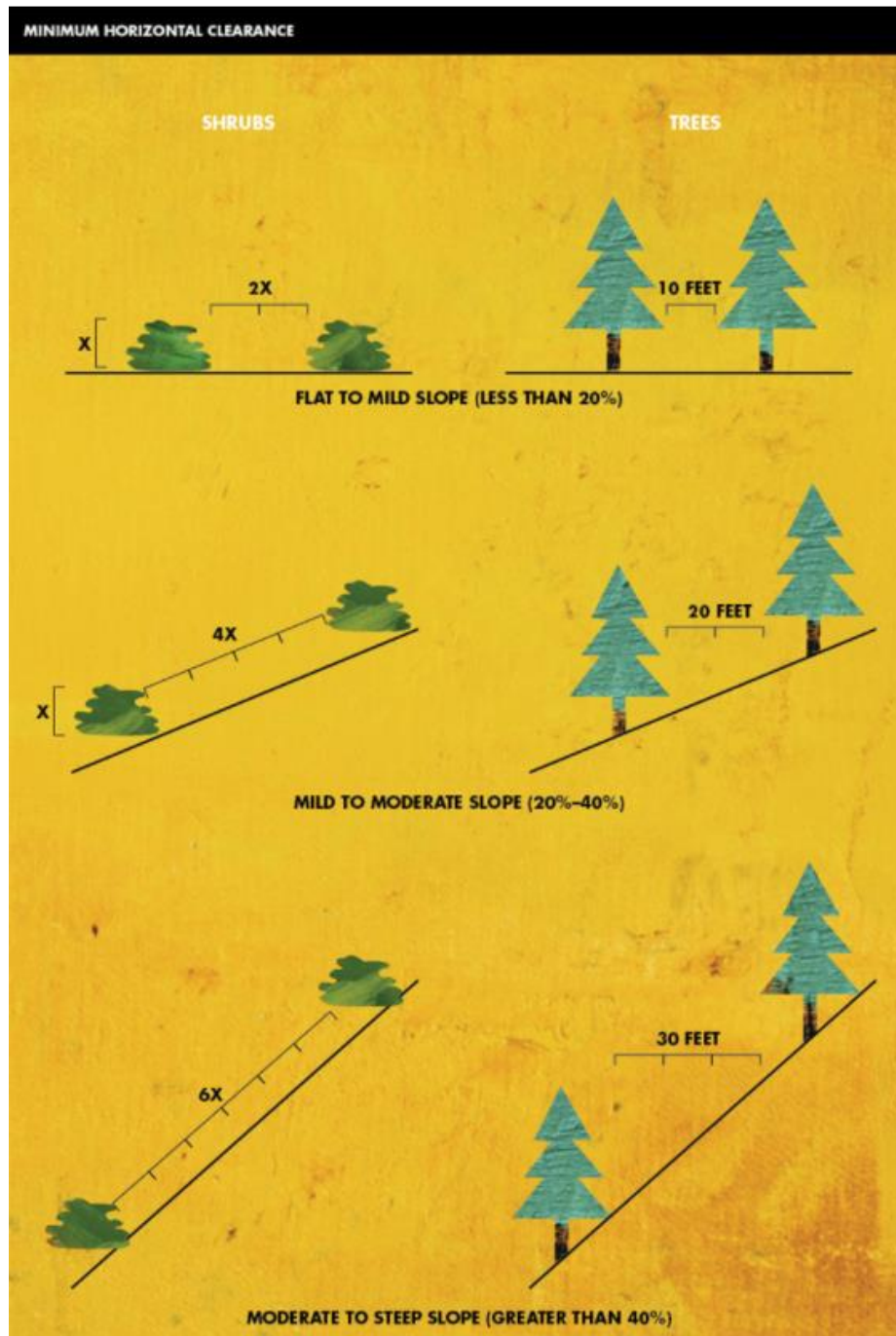


Exhibit A
California Homeowners Insurance Manual

Example of Vertical Spacing

- Trees with no shrubs underneath must not have any branches less than 6 feet from the ground.
- Trees with shrubs underneath must not have any branches less than 4 times the height of the shrub from the ground.



Exhibit A
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Claim Points

Prior claims used for rating purposes must represent a substantial relationship to risk of future loss.

A claim means a paid, closed claim. The amount paid means the indemnity claim payment and does not include the deductible assumed by the insured. Therefore, any loss that is still open, or that was closed without payment (CWP) is not considered a claim for rating purposes. Claim points are rated using Prior Claims and/or Experience rating factors on policies effective 5/1/2008 and later.

Prior Claim Rating Factor:

Claim points will apply and are rated under the Prior Claim rating factor on new policies for applicant-related closed claims in which the insurer's payments exceeded \$2,000 and that occurred within the three-year period ending with the effective date of the application. Such a claim may also be assessed and rated using the Prior Claim rating factor at the first and second renewal of the policy if the loss is still within the three-year period ending 55 days prior to the renewal date.

Experience Rating Factor:

Claim points will apply and are rated under the Experience rating factor in renewal policies for closed claims made on the CSAA policy and that occurred within the three-year period ending 55 days prior to the renewal date. For policies that have been in effect six or more years and have no claims points, a 10% discount is applied under the Experience rating factor.

Premium: The premium is developed from the rating tables.

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SERVICE LIST
In the Matter of the Rate and Rating Plan Application of
CSAA Insurance Exchange, Applicant.
CDI File No. PA-2021-00002

Name/Address

Method of Service

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