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June 12, 2025

By Electronic Mail

Dear Judge Seligman and Counsel,

For the convenience of all parties, State Farm General Insurance Company ("State Farm General") is including as **Attachment 1** a press release published by the California Department of Insurance on June 12, 2025. State Farm General may refer to this press release at the hearing on Merritt David Farren's Petition to Participate and Notice of Intent to Seek Compensation ("Petition").

As a courtesy, State Farm General is also including as **Attachment 2** the following rate regulations to ensure that they are readily available to Mr. Farren in advance of the hearing on the Petition: (i) Cal. Code Regs. tit. 10, §§ 2642.1–2642.8, (ii) Cal. Code Regs. tit. 10, §§ 2643.1–2643.8, (iii) Cal. Code Regs. tit. 10, §§ 2644.1–2644.28, and (iv) Cal. Code Regs. tit. 10, § 2646.4.

Sincerely,

/s/ Christine Wang

Christine Wang
Hogan Lovells US LLP
christine.wang@hoganlovells.com

cc: *See* Proof of Service.

ATTACHMENT 1

Insurance Commissioner Ricardo Lara launches investigation into State Farm's handling of wildfire claims

News: 2025 Press Release

For Release: June 12, 2025
Media Calls Only: 916-492-3566
Email Inquiries: cdipress@insurance.ca.gov

Insurance Commissioner Ricardo Lara launches investigation into State Farm's handling of wildfire claims

Urges wildfire survivors to submit formal complaints to the Department to strengthen the investigation and expedite recovery

LOS ANGELES — Insurance Commissioner Ricardo Lara announced today a formal investigation into State Farm's handling of thousands of insurance claims from wildfire survivors affected by the Palisades and Eaton wildfires. The California Department of Insurance has initiated a Market Conduct Examination of State Farm General Insurance Company, expanding its ongoing investigation into consumer complaints against the insurer.

"Californians deserve fair and comprehensive treatment from their insurance companies. No one should be left in uncertainty, forced to fight for what they are owed, or face endless delays that often lead consumers to give up," said Commissioner Lara. "While there are national standards for insurance claims handling, they can be vague and inconsistently applied, especially during large-scale, climate-driven disasters. This examination will assess whether State Farm has complied with California's consumer protection and claims handling laws and will help determine if further reforms are needed as natural disasters increasingly disrupt insurance markets across the country."

A Market Conduct Examination is one of the Department's most effective tools, involving a thorough, fact-based review that typically takes several months. The Department is currently at a different stage in the claims process for these wildfires, which allows for a more comprehensive regulatory review for an examination of this magnitude and importance. Insurers are now making payment decisions, enabling the Department to evaluate adjuster practices and thoroughly assess State Farm's methods across a wide range of claims handling.

"In the wake of the Eaton Fire, our community deserves clear communication and fair treatment. If State Farm is wrongfully denying my neighbors coverage, we need to know why—plain and simple," said Assemblymember John Harabedian (D-Pasadena). "I'm grateful to Commissioner Lara for taking action to demand transparency and ensure families get the answers they deserve."

While the Department has received general allegations from wildfire survivor groups regarding State Farm's processing of claims, a formal complaint is needed for the Department to take action and advocate for consumers. Complaints can be submitted at insurance.ca.gov or by calling 800-927-HELP.

"Some troubling patterns that my staff will investigate include the frequent reassignment of multiple adjusters with little continuity in communication, inconsistent management of similar claims, and inadequate record-keeping or information-sharing among claims teams. These issues create unnecessary stress, prolong recovery, and erode trust," said Commissioner Lara. "The strongest evidence we can present is the voice of consumers themselves. I urge any wildfire survivor facing delayed payments, claim disputes, multiple adjusters, smoke damage issues, or any other problems to file a formal complaint with my Department."

Since January, the Department has already recovered more than $40 million for survivors of the Eaton and Palisades fires through its intervention on formal consumer complaints. As of May 12, 2025, insurance companies have paid out nearly $17 billion to residential and commercial insurance policyholders impacted by the Eaton and Palisades Fires.

One area of growing concern relates to how some insurers, including State Farm, are handling smoke damage claims. The unprecedented urban impact of these wildfires has created new challenges and a lack of consistency as to how insurance companies are handling these claims — leading to confusion and delays for homeowners.

In response to concerns over how smoke claims are being handled, Commissioner Lara announced the creation of a Smoke Claims & Remediation Task Force last month, bringing together public health experts, remediation specialists, and consumer advocates to develop fair, science-based, and consistent standards for smoke remediation.

"Californians deserve to return to homes that are truly safe, not forced to handle smoke, soot, and ash on their own," Commissioner Lara said. "Our goal is to close the protection gap and make sure insurance works the way it is supposed to, especially in the face of climate-intensified disasters."

Commissioner Lara's action is part of a multi-pronged effort to expand insurance options for consumers and require more accountability for all companies in the insurance market. A strong, accountable insurance market supports recovery from wildfire and other climate-driven risks.

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Led by Insurance Commissioner Ricardo Lara, the California Department of Insurance is the consumer protection agency for the nation's largest insurance marketplace and safeguards all of the state's consumers by fairly regulating the insurance industry. Under the

Commissioner's direction, the Department uses its authority to protect Californians from insurance rates that are excessive, inadequate, or unfairly discriminatory, oversee insurer solvency to pay claims, set standards for agents and broker licensing, perform market conduct reviews of insurance companies, resolve consumer complaints, and investigate and prosecute insurance fraud. Consumers are urged to call 1-800-927-4357 with any questions or contact us at www.insurance.ca.gov via webform or online chat. Non-media inquiries should be directed to the Consumer Hotline at 800-927-4357. Teletypewriter (TTY), please dial 800-482-4833.

ATTACHMENT 2

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 2. Definitions

10 CCR § 2642.1

§ 2642.1. Excessive.

Currentness

"Excessive" rates are rates that are expected to yield the reasonably efficient insurer a profit that exceeds a fair return on the investment used to provide the insurance. In determining whether a rate is excessive, the Commissioner shall consider the competing interests of consumers in lower prices and of investors in prices that yield high returns, and the Commissioner shall consider the fact that insurance is imbued with the public interest and is sometimes legally required.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2642.1, 10 CA ADC § 2642.1

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 2. Definitions

10 CCR § 2642.2

§ 2642.2. Fair Return.

Currentness

A fair return is the profit an investor can reasonably expect to earn from an investment in a business other than insurance subject to regulation under this subchapter presenting investment risks comparable to the risks presented by insurance subject to this subchapter.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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Cal. Admin. Code tit. 10, § 2642.2, 10 CA ADC § 2642.2

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 2. Definitions

10 CCR § 2642.3

§ 2642.3. Inadequate.

Currentness

"Inadequate" rates are rates under which a reasonably efficient insurer is not expected to have the opportunity to earn a fair return on the investment that is used to provide the insurance. In determining whether a rate is inadequate, the Commissioner shall consider the competing interests of consumers in lower prices and of investors in prices that yield high returns, and the Commissioner shall consider that insurance is imbued with the public interest and sometimes legally required.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2642.3, 10 CA ADC § 2642.3

End of Document


KeyCite Red Flag
KeyCite Red Flag Negative Treatment § 2642.4. Pure Premium. [Repealed]

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 2. Definitions

10 CCR § 2642.4

§ 2642.4. Pure Premium. [Repealed]

Currentness

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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5. Repealer filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2642.4, 10 CA ADC § 2642.4

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 2. Definitions

10 CCR § 2642.5

§ 2642.5. Rating Period.

Currentness

"Rating period" means the period that must be accounted for in the application. The rating period shall be one year commencing on the effective date of the rates. Nothing in this section shall be construed to specify the frequency of rate filings.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

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4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2642.5, 10 CA ADC § 2642.5

End of Document

10 CCR § 2642.6

§ 2642.6. Recorded Period.

Currentness

"Recorded period" means the historical period from which data are taken to provide the basis for the proposed rate. The recorded period shall be the most recent three years for which reliable data are available, unless

(1) the credibility of that experience is less than the value contained in section 2644.23(i). In that case, additional years shall be added to the recorded period until sufficient years are used to reach the credibility standard set forth in section 2644.23(i). In no case shall the recorded period exceed six years.

(2) the data is fully credible with fewer than three years experience. In that case, only as many years as needed to be fully credible shall be used.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment of subsection (1) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2642.6, 10 CA ADC § 2642.6

End of Document

KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2642.7

§ 2642.7. Lines of Insurance.

Currentness

(a) Wherever in this subchapter insurance is required to be classified by line, the classification shall be into one of the following categories:

(1) Fire

(2) Allied Lines

(3) Farmowners multiple peril

(4) Homeowners multiple peril

(5) Commercial multiple peril liability

(6) Commercial multiple peril non-liability

(7) Inland marine

(8) Medical malpractice

(9) Earthquake

(10) Other liability

(11) Products liability

(12) Private passenger automobile liability

(13) Private passenger automobile physical damage

(14) Commercial automobile liability

(15) Commercial automobile physical damage

(16) Aircraft

(17) Fidelity

(18) Surety

(19) Burglary and theft

(20) Boiler and machinery

(21) Flood.

(b) For purposes of this subchapter, mechanical breakdown and similar insurance covering loss caused by the failure or malfunction of a component or system of a motor vehicle, as described in California Insurance Code Section 116(c), shall be classified as other liability occurrence.

(c) Any insurer or the Commissioner may disaggregate any of the foregoing lines, except homeowners multiple peril, private passenger automobile liability, and private passenger automobile physical damage, into two subcategories, "commodity" and "specialty." Rates for specialty insurance shall be approved or disapproved using the most sound actuarial method, consistent with California law, in accordance with the Actuarial Standards of Practice, and relevant and accepted actuarial principles, guidelines, and literature.

(d) Specialty insurance shall include:

(1) Any single policy having an annual premium over $75,000;

(2) Any policy having a deductible or self-insured retention of $100,000 or more;

(3) Any excess property, excess liability, or umbrella policy, where none of the underlying policies include private passenger automobile liability, private passenger automobile physical damage, or homeowners coverage, or where the underlying policy is written by an unaffiliated insurer and covers at least the first $500,000 in losses;

(4) All policies for

(A) nuclear risks,

(B) pollution legal liability,

(C) product-tampering, product impairment, or product recall,

(D) kidnap and ransom,

(E) political risks,

(F) directors' and officers' liability,

(G) boiler and machinery insurance,

(H) fidelity insurance,

(I) mortgage guaranty insurance,

(J) employer liability under the United States Longshoremen's and Harbor Workers' Compensation Act (33 U.S.C. section 901 et seq.), the Jones Act (46 U.S.C. section 688), the Federal Employer Liability Act (45 U.S.C. section 51 et. seq.), or any similar statute,

(K) excess employer's liability over workers' compensation insurance,

(L) differences in conditions coverage,

(M) surety,

(N) credit, and

(O) aviation.

(e) Commodity insurance shall include all policies in the line that are not defined in this section as specialty.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

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5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. New subsection (a)(18), subsection renumbering, amendment of subsections (d)(4)(K)-(L) and new subsections (d)(4)(M)-(O) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

7. Amendment of subsection (a)(20) and new subsection (a)(21) filed 1-13-2025 pursuant to Government Code section 11343.8; operative 1-13-2025. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2025, No. 3).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2642.7, 10 CA ADC § 2642.7

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 2. Definitions

10 CCR § 2642.8

§ 2642.8. Most Actuarially Sound.

Currentness

The "most actuarially sound" choice is the most appropriate choice within the range of permissible actuarially sound choices, considering both the relative likelihood of all choices within the range and the context in which the choice will be employed.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

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Cal. Admin. Code tit. 10, § 2642.8, 10 CA ADC § 2642.8

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 3. General Provisions

10 CCR § 2643.1

§ 2643.1. Common Methodology for Review.

Currentness

While companies remain free to formulate their rates under any methodology, the Commissioner's review of those rates must use a single, consistent methodology.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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Cal. Admin. Code tit. 10, § 2643.1, 10 CA ADC § 2643.1

End of Document


KeyCite Red Flag
KeyCite Red Flag Negative Treatment § 2643.2. Rating Basis. [Repealed]

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 3. General Provisions

10 CCR § 2643.2

§ 2643.2. Rating Basis. [Repealed]

Currentness

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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5. Repealer filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

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Cal. Admin. Code tit. 10, § 2643.2, 10 CA ADC § 2643.2

End of Document

KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2643.3

§ 2643.3. Total Aggregate Earned Premiums.

Currentness

(a) The determination whether rates are excessive or inadequate is made on the basis of the aggregate earned premiums the rates are expected to produce. Thus, the proposed and approved rates are required to reflect the actual distribution of premiums, including discounts, dividends, credits, and other rating factors affecting aggregate premiums. Rates that are neither excessive nor inadequate may still be unlawful and disapproved if they are unfairly discriminatory or otherwise violate chapter 9 (commencing with section 1851) of part 2 of division 1 of the Insurance Code.

(b) Complete rate applications shall be filed on a line-by-line basis, as set forth in Section 2642.7. The Commissioner shall require the filing of such other information as the Commissioner deems necessary to review the application.

(c) The earned premium of retrospectively rated and loss-sensitive insurance shall be the manual premium.

Credits
NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi* (1994) 8 Cal.4th 216. Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

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4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Change without regulatory effect amending subsection (b) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

6. Amendment of subsection (b) and NOTE filed 10-8-2024; operative 10-8-2024 pursuant to Government Code section 11343.4(b)(3). Exempt from the APA and OAL review pursuant to Government Code section 11340.9(g). Submitted to OAL for filing and printing only pursuant to Government Code section 11343.8 (Register 2024, No. 41).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2643.3, 10 CA ADC § 2643.3

End of Document

 KeyCite Red Flag
KeyCite Red Flag Negative Treatment § 2643.4. Line-by-Line Ratemaking. [Repealed]

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 3. General Provisions

10 CCR § 2643.4

§ 2643.4. Line-by-Line Ratemaking. [Repealed]

Currentness

Credits
NOTE: Authority cited: Sections 1861.01, 1861.05, 12921 and 12926 of the Insurance Code; sections 11152 and 11342.2 of the Government Code. Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2643.4, 10 CA ADC § 2643.4

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10 CCR § 2643.5

§ 2643.5. Accounting Principles.

Currentness

Statutory accounting principles ("SAP"), rather than generally accepted accounting principles ("GAAP"), shall be used to measure equity.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2643.5, 10 CA ADC § 2643.5

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10 CCR § 2643.6

§ 2643.6. Interjurisdictional Allocations.

Currentness

(a) Data shall be submitted with a rate application. Where reliable data exist for California losses, defense and cost containment expenses, ancillary income, commissions, state premium taxes, loss reserves, and unearned premium reserves, those data shall be used. Where data are maintained on a multi-state basis only, or where California data are not reliable, the multi-state data shall be allocated to California as follows:

(1) Defense and cost containment and adjusting and other expenses: By dollars of incurred losses.

(2) Commissions and brokerage: By earned premium.

(3) Taxes, licenses, and fees: By actual statutory tax rate for premium tax; by premium for licenses and fees.

(4) Other Acquisition: By number of written exposures or policies.

(5) General: By number of earned exposures or policies.

For purposes of this subsection, the determination whether data are “reliable” shall be made on the basis of whether the Commissioner finds, under the circumstances, that the data are authentic and believable. In making that finding, the Commissioner shall consider, among other things, whether the data were recorded by persons and under circumstances likely to produce accurate data, whether the data were relied upon by the party in its business, and whether the data are consistent with other data.

(b) Where an insurer submits recorded California data that varies from the California allocation of multi-state data allocated as specified in this section, the Commissioner shall require the insurer to demonstrate the accuracy of the data and to justify any deviation from the insurer's experience in other states. Where the Commissioner finds the demonstration or justification inadequate, the Commissioner shall require the use of allocations rather than the submitted recorded data for California. Where the data are expressed as a percentage of earned premium, and are therefore mathematically related to the other components of premium, and the use of data other than the California allocation of multi-state data is authorized, appropriate adjustments shall be made to any related data and to any applicable regulatory standards.

(c) Where an insurer or the Commissioner elects to disaggregate a line of insurance into commodity and specialty categories pursuant to section 2642.7, allocations between commodity and specialty shall be in the same proportion as specified in subdivision (a) of this section.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of subsections (a), (a)(1) and (c) filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Change without regulatory effect amending subsection (b) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2643.6, 10 CA ADC § 2643.6

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10 CCR § 2643.7

§ 2643.7. Data Availability.

Currentness

Where an insurer can demonstrate that data required by these regulations are not available, the Commissioner shall authorize the use of substitute data. An insurer seeking authority under this section shall include with its request

(a) the reasons why the data are unavailable to it, with appropriate reference to the practices of other, comparably situated insurers;

(b) justification for use of the substitute data proposed, together with a discussion of other feasible alternatives;

(c) a plan for providing the data required by these regulations, taking into account the practical requirements of full compliance and the size and scope of the insurer's affected operations.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2643.7, 10 CA ADC § 2643.7

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10 CCR § 2643.8

§ 2643.8. Factors Calculated by Commissioner.

Currentness

Where regulations within Article 4 of this title specify that the Commissioner calculate and publish values for use in review of rate applications, the values used shall be the most recently published values, provided that the values were published at least 45 days before the receipt of the rate application by the Department's Rate Filing Bureau. Otherwise, the values used shall be those published immediately prior to publication of the most recent values.

If the Commissioner does not publish the values required by these regulations within the prescribed time period, the Rate Filing Bureau and, if applicable, the Administrative Hearing Bureau shall review the application by performing the calculations in the manner set forth in these regulations. Values used by the Rate Filing Bureau shall be updated by the Administrative Hearing Bureau before the close of the evidentiary hearing if one year or more has passed since the application was received.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi,* 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

2. Change without regulatory effect amending first paragraph filed 8-27-2020 pursuant to section 100, title 1, California Code of Regulations (Register 2020, No. 35).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2643.8, 10 CA ADC § 2643.8

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Article 4. Determination of Reasonable Rates

10 CCR § 2644.1

§ 2644.1. Excessive or Inadequate Rates.

Currentness

No rate shall be approved or remain in effect that is above the maximum permitted earned premium, as defined in section 2644.2, or is below the minimum permitted earned premium, as defined in section 2644.3. Where the Commissioner finds that a rate or proposed rate is excessive or inadequate, the rate or proposed rate shall not be used nor remain in effect. If the rate or proposed rate is excessive, the Commissioner shall indicate the highest rate that would not be excessive, which the insurer may adopt by amendment to its application, or the Commissioner shall reject the rate in its entirety. If the rate or proposed rate is inadequate, the Commissioner shall indicate the lowest rate that would not be inadequate, which the insurer may adopt by amendment to its application, or the Commissioner shall reject the rate in its entirety.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.1, 10 CA ADC § 2644.1

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10 CCR § 2644.2

§ 2644.2. Maximum Permitted Earned Premium.

Currentness

The maximum permitted earned premium is calculated as follows:

(a) the quotient of

(1) the sum of

(A)(i) projected losses, as defined in section 2644.4,

(ii) plus projected defense and cost containment expenses, as defined in section 2644.8,

(B) multiplied by 1 minus the fixed investment income factor as defined in section 2644.19(a),

(2) minus projected ancillary income, as defined in section 2644.13,

(b) divided by the maximum denominator, as defined in section 2644.2(c).

Stated as a formula:

$$\text{Max Permitted EP} = \frac{(\text{losses} + \text{DCCE}) \times (1 - \text{fixed invest inc factor}) - \text{ancil income}}{\text{max denom}}$$

(c) The maximum denominator means:

(1) 1.0,

(2) minus the efficiency standard, as defined in section 2644.12,

(3) minus the maximum profit factor, as defined in section 2644.15,

(4) plus the variable investment income factor, as defined in section 2644.19(b).

Stated as a formula:

Max denom =1 - eff std - profit factor + var invest inc factor

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.2, 10 CA ADC § 2644.2

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Article 4. Determination of Reasonable Rates

10 CCR § 2644.3

§ 2644.3. Minimum Permitted Earned Premium.

Currentness

The minimum permitted earned premium is calculated as follows:

(a) the quotient of

(1) the sum of

(A)(i) projected losses, as defined in section 2644.4,

(ii) plus projected defense and cost containment expenses, as defined in section 2644.8,

(B) multiplied by 1 minus the fixed investment income factor as defined in section 2644.19(a),

(2) minus projected ancillary income, as defined in section 2644.13,

(b) divided by the minimum denominator, as defined in section 2644.3(c).

Stated as formula:

$$\text{Min Permitted EP} = \frac{\text{(losses + DCCE) x (1- fixed invest inc factor) - ancil income}}{\text{min denom}}$$

(c) The minimum denominator means:

(1) 1.0,

(2) minus the efficiency standard, as defined in section 2644.12,

(3) minus the minimum profit factor, as defined in section 2644.15,

(4) plus the variable investment income factor, as defined in section 2644.19(b).

Stated as a formula:

Min denom =1- eff std - profit factor + var invest inc factor

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

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Cal. Admin. Code tit. 10, § 2644.3, 10 CA ADC § 2644.3

End of Document

KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2644.4

§ 2644.4. Projected Losses.

Currentness

(a) Unless projected losses are based on catastrophe models as permitted pursuant to subdivision (d) of this Section 2644.4, projected losses means the insurer's historic noncatastrophe losses per exposure, adjusted by catastrophe adjustment, as prescribed in Section 2644.5, by loss development, as prescribed in Section 2644.6, and by loss trend, as prescribed in Section 2644.7.

(b) Projected losses shall be calculated by applying the loss development and loss trend factor separately to data from each accident year, report year or policy year, as applicable, in the recorded period.

(1) For occurrence policies, projected losses shall be calculated on an accident-year basis.

(2) For claims-made policies, projected losses shall be calculated on a report-year basis.

(3) For mechanical breakdown and similar insurance as defined in subdivision (b) of Section 2642.7, projected losses may be calculated on a policy-year basis.

(c) For professional liability and errors and omissions coverage, the insurer shall, in lieu of the computation of projected losses specified in Sections 2644.5 through 2644.7, tender an alternative computation of projected losses, which the Commissioner shall approve if the Commissioner finds the projection to have been made in the most actuarially sound manner. The insurer shall also provide projected losses computed in the manner specified in Sections 2644.5 through 2644.7 and in any other manner as may be required by the Commissioner.

(d) For the earthquake, flood, or any other line of insurance for which projected losses are permitted to be modeled pursuant to subdivision (c) of Section 2644.4.5, projected losses may be based on catastrophe models.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi* (1994) 8 Cal.4th 216. Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Change without regulatory effect amending subsection (d) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

7. Amendment of section and NOTE filed 12-12-2024 pursuant to Government Code section 11343.8; operative 12-12-2024. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2024, No. 50).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.4, 10 CA ADC § 2644.4

End of Document

KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2644.4.5

§ 2644.4.5. Use of Catastrophe Models.

Currentness

(a) Permitted uses.

(1) For the earthquake and flood lines, projected annual aggregate losses may be based on catastrophe models.

(2) The catastrophe adjustment for the fire following earthquake exposure, and for terrorism exposure, in lines other than earthquake and flood may be based on projected annual aggregate losses derived from catastrophe models.

(b) Wildfire exposure.

The catastrophe adjustment for wildfire exposure for commercial property insurance may be based on catastrophe models, provided that the insurer complies with the provisions of Section 2644.4.8 that are applicable to commercial property insurance. The catastrophe adjustment for wildfire exposure for "qualifying residential property insurance," as that term is defined in Section 2644.4.8, may be based on catastrophe models, provided that the insurer complies with the provisions of Section 2644.4.8 that are applicable to such qualifying residential property insurance. For an insurer that thus complies with Section 2644.4.8 with respect to such qualifying residential property insurance, the catastrophe adjustment for wildfire exposure covered under a renter's insurance policy, an HO-6 policy, or the equivalent of an HO-6 policy, may also be based on catastrophe models.

(c) Additional lines or exposures.

(1) In addition to the permissible uses of catastrophe models specified in subdivisions (a) and (b) of this Section 2644.4.5, at the Commissioner's discretion, models may be used in cases where limited historic insurance data is available:

(A) To project annual aggregate losses in lines of insurance other than those specified in subdivision (a)(1) of this section, or

(B) To determine the catastrophe adjustment for exposures to perils other than those specified in subdivision (a)(2) or (b) of this section.

(2) The Commissioner may allow modeling for such additional lines or exposures only if, taking into account the circumstances under which, and the conditions pursuant to which, modeling for the additional line or coverage in question is to be permitted, it is in the Commissioner's judgment reasonably foreseeable that permitting modeling would serve two or more of the following purposes of Proposition 103:

(A) Protecting consumers from arbitrary insurance rates and practices.

(B) Encouraging a competitive insurance marketplace.

(C) Ensuring that insurance is fair, available and affordable to all Californians.

(3) In the event the requirement of subdivision (c)(2) of this section is satisfied, the Commissioner's decision as to whether to allow modeling for additional lines or exposures shall be based upon the following factors:

(A) The degree to which the peril is an emerging or a newly recognized peril for ratemaking purposes.

(B) The degree to which a model is likely to be reliable for ratemaking purposes.

(C) The extent to which any historical insurance data is unavailable.

(D) The degree to which available historical insurance data is not predictive of future costs.

(d) Under no circumstances, however, will modeling be permitted for the reason that an individual company lacks data that is otherwise available.

(e) Catastrophe models shall be run on the insurer's in-force business as of the end of the most recent year in the recorded period.

(f) The use of catastrophe models shall conform to the standards of practice as set forth by the Actuarial Standards Board, and the applicant shall have the burden of demonstrating that:

(1) the model is based upon what in the Commissioner's assessment is the best available scientific information for assessing frequency, severity, damage and loss,

(2) the applicant's use of its selected model(s) produces the most actuarially sound estimate of projected catastrophe losses,

(3) the projected losses derived from the model meet all applicable statutory, regulatory and other legal standards, and

(4) the model incorporates what in the Commissioner's assessment is the best available scientific information on risk mitigation at the property, community, and landscape scales including, but not limited to forest management, prescribed fire, nature-based flood risk reduction, and risk mitigation initiated by local and regional utility companies.

(g) This section is hereby expressly included within the range of regulations sections specified in subdivision (a) of Section 2648.4, notwithstanding that this section's adoption is subsequent in time to the adoption of, or the effectiveness of any amendments to, Section 2648.4.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi* (1994) 8 Cal.4th 216. Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 12-12-2024 pursuant to Government Code section 11343.8; operative 12-12-2024. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2024, No. 50).

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Cal. Admin. Code tit. 10, § 2644.4.5, 10 CA ADC § 2644.4.5

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 KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2644.4.8

§ 2644.4.8. Distressed Areas; Insurer Commitments.

Currentness

An insurer that opts to make, fulfill and document the fulfillment of its insurer commitments in the manner specified in this Section 2644.4.8 may use catastrophe modeling as permitted by Subdivision (b) of Section 2644.4.5.

As used in this section, the term "qualifying residential property insurance" shall mean a policy of residential property insurance as defined in Insurance Code section 10087, except that renter's insurance policies do not fall within the meaning of qualifying residential property insurance. Additionally, an HO-6 policy, or its equivalent, is not included within the meaning of qualifying residential property insurance.

(a) Distressed areas, and properties insured by FAIR Plan policies, that are to be used in insurer commitments.

(1) Distressed areas.

For purposes of this section distressed areas shall include the following:

(A) Undermarketed ZIP Codes.

The Commissioner shall publish an initial bulletin containing a list of the Undermarketed ZIP Codes determined pursuant to this subdivision (a)(1)(A). The Commissioner shall by subsequent bulletins update the list of Undermarketed ZIP Codes from time to time as conditions warrant, but in any event no less frequently than once per year. For purposes of this section, an Undermarketed ZIP Code shall mean a ZIP Code, as determined by the Commissioner, which at least partially overlaps a high or very high fire hazard severity zone as shown on current maps published by the Department of Forestry and Fire Protection (Cal Fire) and in which ZIP Code either:

1. At least fifteen percent (15%) of the sum of the following are insured by the FAIR Plan:

a. The number of residential properties in the ZIP Code that are insured by the FAIR Plan, and

b. The number of residential properties in the ZIP Code that are insured in the voluntary market by admitted insurers under a policy of qualifying residential property insurance; or

2. The average premium per $1,000.00 of Coverage A in the ZIP Code is at least four dollars ($4.00) while the median income of the ZIP Code is no higher than the fiftieth (50th) percentile for California.

(B) Distressed counties.

The Commissioner shall publish an initial bulletin containing a list of the distressed counties determined pursuant to this subdivision (a)(1)(B). The Commissioner shall by subsequent bulletins update the list of distressed counties from time to time as conditions warrant, but in any event no less frequently than once per year. For purposes of this section, a county shall be a distressed county if the percentage of structures situated in that county that are at high or very high wildfire risk is no lower than the 50th percentile of counties in the state, as determined by the Commissioner.

(2) Properties insured by the FAIR Plan exposed to wildfire risk.

Policies insuring properties that the insurer has classified as moderate to very high wildfire risk and that immediately prior to the insurer's insuring them, on a date subsequent to the approval of its rate application described in subdivision (c) of this section, had been covered under the FAIR Plan.

(b) Statewide market calculations.

(1) Calculation of statewide market share.

For purposes of this section the Department will calculate an estimate of the number of earned exposures of qualifying residential property insurance statewide based on the most recent experience year reported to the Department, such initial evaluation period ending on December 31, 2023, which figure shall be used as the denominator in the calculation of statewide market share for each insurer. The Commissioner shall publish a bulletin with the estimate of statewide earned exposures, no less frequently than once per year.

The numerator to be used in the calculation of each insurer's statewide market share shall be the number of earned exposures of qualifying residential property insurance policies in the most recent 12-month period used in its recorded period as submitted in the insurer's rate application pursuant to subdivision (c) of this section.

In order to calculate its statewide market share, the insurer shall divide its numerator by the denominator, each as described in this subdivision (b)(1), and the insurer's statewide market share shall be the resulting quotient, rounded to the thousandths place.

(2) Statewide distressed areas earned exposures.

For purposes of this section the Department will calculate an estimate of the total number of earned exposures of qualifying residential property insurance in both the voluntary market and the FAIR Plan inside the distressed areas of the state based on the most recent experience year/dataset reporting such relevant information to the Department, such initial evaluation period ending on December 31, 2023, which figure shall be used in the calculation of each insurer's residential commitment inside the distressed areas pursuant to subdivision (d) below. The Commissioner shall publish a bulletin that includes the estimate of statewide distressed areas earned exposures, no less frequently than once per year.

(c) The insurer shall, as part of a complete rate application filing pursuant to Section 2648.4, submit an insurer commitment as set forth in subdivision (d), (f) and/or (j) of this section.

(d) Insurer commitments with respect to qualifying residential property insurance.

The insurer shall commit in writing to achieving no later than two years (730 days) after the approval of its rate filing (the insurer's "performance date" hereinafter), or maintaining, the insurer's earned exposure commitment in the distressed areas of the state as follows:

(1) Eighty-five percent standard.

(A) The insurer shall commit to write in distressed areas a number of policies that is no less than the product of (1) the insurer's statewide market share, as calculated pursuant to subdivision (b)(1), (2) 0.85, and (3) the total number of statewide distressed areas earned exposures pursuant to subdivision (b)(2) of this section; or

(B) In the event the insurer already meets or exceed the eighty-five percent standard set forth above in subdivision (d)(1)(A) of this section at the time of its rate application, the insurer shall commit to maintaining at least the same number of earned exposures in the distressed areas as it reported in the rate application filing pursuant to subdivision (c), for at least three years (1,095 days) after the approval of the rate application.

(2) Five percent increment.

The insurer may instead commit to writing additional policies as specified in subdivision (d)(3) in the voluntary market inside the distressed areas of the state such that, on the performance date, the insurer has increased its number of earned exposures inside the distressed areas by at least the number of policies equal to five percent (5%) of its earned exposures in the distressed areas of the state within the most recent 12 month period used in its recorded period as submitted in the insurer's rate application pursuant to subdivision (c) of the section.

(3) In the event that one or more of the bulletins described in subdivision (a) of this section that is or are referred to in an insurer's approved rate application pursuant to subdivision (c) of this section (the insurer's "starting bulletin or bulletins" hereinafter) have been updated since the time the application was filed, then the insurer may satisfy its insurer commitment by:

(A) Writing policies in distressed areas as defined in the insurer's starting bulletin or bulletins and/or in any subsequently updated bulletin as the commissioner may publish from time to time; or

(B) If subdivision (d)(1)(B) of this section is applicable to the rate application, maintaining earned exposures in distressed areas as defined in the insurer's starting bulletin or bulletins and/or in any subsequently updated bulletin as the commissioner may publish from time to time.

(4) The additional policies written in order to satisfy the requirement of this subdivision (d) shall include only the following:

(A) Policies of qualifying residential property insurance insuring properties in distressed areas of the state; and/or

(B) Policies of qualifying residential property insurance insuring properties that the insurer has classified as moderate to very high wildfire risk and that immediately prior to the insurer's insuring them, on a date subsequent to the approval of its rate application described in subdivision (c) of this section, had been covered under the FAIR Plan.

An insurer may count a policy described in this subdivision (d)(4)(B) as insuring a property within the distressed areas of the state for purposes of fulfilling its insurer commitment, any contrary provision of this section notwithstanding.

(e) Low-premium-volume insurers.

(1) An insurer whose direct California annual premium from qualifying residential property insurance policies is less than $10 million may comply with this section without making an insurer commitment pursuant to subdivision (d) of this section, until such time as subdivision (e)(2) is applicable to the insurer.

(2) No later than March 31 of the calendar year immediately following the calendar year during which an insurer described in subdivision (e)(1) of this section determines that it has met or exceeded $10 million of direct California annual premium from qualifying residential property insurance policies, the insurer shall submit a rate application as described in subdivision (c) of this section, which application contains an insurer commitment that conforms to subdivision (d) of this section.

(3) An insurer described in subdivision (e)(1) of this section shall calculate its direct California annual premium from qualifying residential property insurance policies annually.

(f) Insurer commitments with respect to commercial property insurance.

(1) For purposes of this subdivision (f), eligible ZIP Codes shall include all ZIP Codes in the state that at least partially overlap a high or very high fire hazard severity zone, as shown on the most current map published by Cal Fire. The Commissioner shall publish an initial bulletin containing a list of the eligible ZIP Codes determined pursuant to this subdivision (f)(1). The Commissioner shall by subsequent bulletins update the list of eligible ZIP Codes from time to time as conditions warrant.

(2) Insured exposure requirement. At the time of an insurer's first rate application filing subsequent to the effective date of this section, the insurer must commit in writing to increase, no later than two years (730 days) after the approval of that rate application, its writing of policies such that it insures additional properties in eligible ZIP codes whose total insurable value is, in the aggregate, at least equal to five percent (5%) of the sum of the total insurable value of its insured properties in all the eligible ZIP codes, taken as a whole, as of the end of the most recent 12-month period used in its recorded period.

(3) In the event that the bulletin described in subdivision (f)(1) of this section that is referred to in an insurer's approved rate application pursuant to subdivision (f)(2) of this section (the insurer's "initial bulletin" hereinafter) has been updated since the time the application was filed, then the insurer may satisfy its insurer commitment by writing policies in eligible ZIP Codes as defined in the insurer's initial bulletin and/or in any subsequently updated bulletin as the commissioner may publish from time to time pursuant to subdivision (f)(1).

(4) In the event the insurer is unable to timely meet the requirement in (f)(2), the insurer shall file a new application pursuant to subdivision (h)(1)(C), if applicable, or subdivision (h)(2), of this section.

(g) Documenting the insurer's fulfilment of its insurer commitment.

The insurer shall create and maintain a wildfire risk portfolio. An insured property shall be added to the insurer's wildfire risk portfolio at the time the location and, if applicable, prior FAIR Plan coverage status of the insured property are fully documented pursuant to the provisions of this subdivision (g).

(1) For qualified residential insurer commitment.

(A) In addition to the material called for in subdivision (g)(3) below that is applicable to any property in its wildfire risk portfolio, the insurer shall maintain and keep current a document entitled "Wildfire Risk Portfolio Register," which shall list, for each property added to the portfolio, the following information: the date the property was added to the portfolio; the address of the property, including the ZIP Code; if the property is being added to the portfolio solely on the basis that it lies within a distressed county but not any Undermarketed ZIP Code, the county in which the property is situated; the inception date of the policy; the termination date of the policy, if the policy has terminated; and if the property is being added to the portfolio on the basis of subdivision (g)(1)(B), below, an identification of the insurer's documentation of the property's prior FAIR Plan coverage.

(B) To document that the FAIR Plan was insuring the property in question immediately prior to the inception, on or after the effective date of this section, of a policy insuring that property that is issued by the insurer seeking to add the property to its portfolio after such effective date, the insurer shall have on file:

1. A carrier discovery report or

2. Other documentation demonstrating that the property had been insured under the FAIR plan immediately preceding the date the insurer issues its policy. Such documentation may include (1) copies of declaration pages from the FAIR Plan, (2) a subscribing loss underwriting exchange report and/or (3) an electronic copy of the entire application

completed by the insured and submitted to the insurer, on which application the insured has identified the prior insurer as the FAIR Plan.

(2) For commercial insurer commitment. In addition to the material called for in subdivisions (g)(3) below that is applicable to any property in its wildfire risk portfolio, the insurer shall maintain and keep current a document entitled "Wildfire Risk Portfolio Register," which shall list, for each property added to the portfolio, the following information: the date the property was added to the portfolio; the address of the property, including the ZIP Code; the total number of exposures insured under each policy; the inception date of the policy; the property's total insurable value, and the termination date of the policy, if the policy has terminated.

(3) For both qualified residential insurer commitment and commercial insurer commitment.

(A) The Wildfire Risk Portfolio Register shall be maintained as a digital file that is sortable by all fields.

(B) The insurer shall maintain a digital file for each insured property added to its wildfire risk portfolio, in which file shall be stored an electronic copy of each record necessary for purposes of supporting the property's status of lying within a distressed area of the state for purposes of satisfying the insurer's insurer commitment.

(C) The insurer shall maintain its Wildfire Risk Portfolio Register, as well as the digital file described in subdivision (g)(3)(B) of this section for each property added to its wildfire risk portfolio, until such time as at least five years (1,825 days) have passed since:

1. The date that is two years (730 days) following the approval of the insurer's rate application pursuant to subdivision (c) of this section, in the event that subdivision (d)(1)(A), (d)(2) or (f)(2) of this section is applicable;

2. The date that is three years (1,095 days) following the approval of the insurer's rate application pursuant to subdivision (d) of this section, in the event that subdivision (d)(1)(B) of this section is applicable;

3. The date by which the insurer has committed to fulfill or complete the fulfilment of its alternative commitment, in the event that subdivision (j) of this section is applicable; or

4. The date of the approval of the insurer's rate application renouncing the insurer's insurer commitment, in the event that subdivision (h)(2) of this section is applicable.

(h) Modification of, or failure to fulfill, insurer commitment.

(1) Modification when insurer loses significant market share.

(A) Residential insurers whose insurer commitment stated in the original rate application filing included an undertaking to write additional policies in distressed areas.

In the event that, subsequent to approval of its rate application described in subdivision (c) of this section (hereinafter, the "original application"), an insurer files a new rate application in which the insurer recalculates its insurer commitment as specified in subdivision (d) of this section on the basis that the insurer's statewide market share as calculated pursuant to subdivision (b)(1) of this section is at least five percent (5%) lower than was used for purposes of calculating the insurer commitment contained in the insurer's original rate application, then the new rate application may contain a modified insurer commitment pursuant to subdivision (d) of this section that reflects the recalculated insurer commitment, which insurer commitment shall become effective if and when the new rate application is approved.

(B) Residential insurers whose performance met or exceeded the applicable standard or requirement at the time of initial rate application filing.

An insurer may modify its insurer commitment that was made pursuant to subdivision (d)(1)(B) of this section as follows: The insurer may reduce its earned exposures in distressed areas of the state by up to five percent (5%) below the level reported in the original application, to the extent that is indicated by the amount of the diminution of the insurer's statewide market share, but in no event below the eighty-five percent standard set forth in subdivision (d)(1)(B) of this section.

(C) Modification of commercial insurer commitments.

An insurer may modify its insurer commitment as follows: In the event the insurer is unable to timely meet the requirement in (f)(2), the insurer shall file a new application in which it modifies its insurer commitment accordingly. The insurer may reduce its insurer commitment in eligible ZIP Codes of the state by no more than the decline in its total insurable value reported in the original rate application filing.

(2) Failure to fulfill an insurer commitment.

If at any time an insurer fails to fulfill its insurer commitment, or within a period of two years after the approval of its original application, or at any point thereafter, fails to make reasonable progress toward timely fulfilling its insurer commitment, then the insurer shall immediately submit a new rate application renouncing its insurer commitment as described in subdivision (d) or (f) of this section. In this case the new rate application shall not make use of catastrophe modeling as permitted by Section 2644.4.5.

(i) Insurer Attestation.

An insurer that obtained approval to use catastrophe modeling in its original application shall file one of the following attestations in every subsequent rate application until such time as that insurer has attested that it has fulfilled its commitment:

(1) An attestation that the insurer has fulfilled, or is taking reasonable steps to fulfill, its insurer commitment.

(2) An attestation that the insurer's rate application modifying its insurer commitment pursuant to subdivision (h)(1) of this section has been approved and the insurer has fulfilled, or is taking reasonable steps to fulfill, its modified insurer commitment.

(j) Alternative Insurer Commitments.

Any contrary provision of this section notwithstanding, if for any of the reasons stated in subdivision (j)(1) of this section, an insurer is unable, in good faith, to make a commitment as set forth in subdivisions (d) or (f) of this section, then an insurer may propose an alternative commitment in a complete rate application filing pursuant to subdivision (c), as described in subdivision (j)(2) of this section:

(1) An insurer may propose an alternative commitment pursuant to this subdivision (j) on one or more of the following bases:

(A) its size,

(B) its scope of coverages, or

(C) the frequency or severity of recent events impacting the insurer.

(2) Such rate application filing shall include a statement:

(A) setting forth the reason why this subdivision (j) is applicable, and

(B) describing the proposed alternative commitment in sufficient detail to allow the Commissioner to evaluate whether the alternative increases availability of qualifying residential property insurance and/or commercial property insurance.

(k) Nothing in this section shall be construed as limiting, in any way, an insurer's ability to offer qualifying residential property insurance or commercial property insurance in this state.

(*l*) If any provision or clause of this section or the application thereof to any person or situation is held invalid, such invalidity shall not affect any other provision or application of this section which can be given effect without the invalid provision or application. To this end, the provisions of this section are hereby declared to be severable.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi* (1994) 8 Cal.4th 216. Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 12-12-2024 pursuant to Government Code section 11343.8; operative 12-12-2024. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2024, No. 50).

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Proposed Regulation

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.5

§ 2644.5. Catastrophe Adjustment.

Currentness

In those insurance lines and coverages where catastrophes occur, the actual catastrophic losses of any one year in the recorded period are replaced by an adjustment based on the average annual loss generated from one or more catastrophe models as described in Section 2644.4.5, or an adjustment based on a multi-year, long-term average of catastrophe losses net of actual and anticipated salvage and subrogation recoveries, as described in subdivision (b) of this section, or except as prohibited in subdivision (e) of this section a combination of the methods specified in subdivisions (a) and (b).

(a) For fire following earthquake, wildfire, and terrorism exposures in any line of insurance, an insurer may include an adjustment based on the average annual loss generated from one or more catastrophe models. The use of such models shall comply with the requirements set forth in subdivision (e) of Section 2644.4.5. Further, the average annual loss may be adjusted to include a provision for defense and cost containment expenses (DCCE), either by applying a historical ratio of noncatastrophe DCCE to noncatastrophe loss or by applying a historical ratio of catastrophe DCCE to catastrophe loss.

(b) In any event, an insurer may project its catastrophe adjustment based on a multiyear, long-term average of catastrophe losses and DCCE, net of actual and anticipated salvage and subrogation recoveries. Catastrophe adjustment for perils other than those that are permitted to be modeled under subdivision (a) of this section or pursuant to subdivision (c) of Section 2644.4.5 must be based on such multiyear long-term average.

(1) For residential and commercial property lines, the adjustment shall be based on the average of the ratio of ultimate catastrophe losses and DCCE to amount of insurance years (AIY). For purposes of this section, the term AIY shall reflect the total combined limits (dwelling, additional structures, personal contents and loss of use) pertaining to the property coverages underlying each policy. For private passenger and commercial automobile physical damage, the adjustment shall be based on the average of the ratio of ultimate catastrophe losses and DCCE to ultimate noncatastrophe losses and DCCE.

(2) The number of years over which the average shall be calculated shall be at least 20 years for residential and commercial property lines and at least 10 years for private passenger, and commercial, auto physical damage. Where the insurer does not have enough years of data, or has a limited amount of data for years for which it does have data, the insurer's data shall be supplemented by appropriate data for those years. The number of years over which the average shall be calculated for any other line with catastrophe exposure that is permitted under this subdivision (b) to have a catastrophe adjustment

shall be based on the most actuarially sound assumptions. There shall be no catastrophe adjustment for private passenger, or commercial, auto liability.

(c) Regardless of which method is used for catastrophe adjustment, insurers shall submit all of the following, based on the data aggregation method used for the recorded period, whether the recorded period is expressed in terms of accident years, policy years or report years, through the most recent year of the recorded period:

(1) The insurer's history, by year, of California catastrophe losses, displayed separately for paid losses, case-incurred losses and Incurred But Not Reported (IBNR) reserves.

(2) The insurer's history, by year, of California noncatastrophe losses, displayed separately for paid losses, case-incurred losses and IBNR reserves.

(3) The insurer's history, by year, of California catastrophe Defense and Cost Containment Expenses (DCCE), displayed separately for paid DCCE, case-incurred DCCE and IBNR reserves.

(4) The insurer's history, by year, of California noncatastrophe DCCE, displayed separately for paid DCCE, case-incurred DCCE and IBNR reserves.

(5) The insurer's history, by year, of California received salvage and subrogation recoveries. Subrogation recoveries shall include the proceeds of any actual sale or divestiture of subrogation rights.

(6) The insurer's history, by year, of California anticipated salvage and subrogation recoverables. Subrogation recoverables shall include the reasonably foreseeable proceeds of any anticipated sale or divestiture of subrogation rights.

(7) The insurer's history, by year, of California AIY for residential and commercial property lines.

(8) For residential and commercial property lines, the insurer's projected AIY for the policy effective period. The trend factor that is used to project AIY shall be based on the exponential curve of best fit. Insurers shall file the most recent 27 quarters of company-specific AIY and earned exposure data. The insurer shall file its rate change application using the single data period for AIY and, as specified in section 2644.7, premium and loss trend, which data period the insurer determines to be the most actuarially sound. The Commissioner may require the use of an alternative data period if the Commissioner determines that use of such alternative data period is the most actuarially sound approach.

(9) For private passenger and commercial auto physical damage, the insurer's projected ultimate noncatastrophe losses for the most recent year in the recorded period, as determined by the application of Sections 2644.6 and 2644.7.

(10) The insurer's current definition of catastrophe and the period of time it has used such definition.

(11) The insurer's definition of wildfire and the period of time it has used such definition.

(12) The name of any major event or events contributing to the year's catastrophic losses, for instance, the “Cedar Fire,” and the peril or perils associated with those losses.

(d) The catastrophe adjustment shall reflect any changes between the insurer's historical and prospective exposure to catastrophe due to a change in:

(1) The insurer's coverage or other policy terms; or

(2) The insurer's mix of business.

(e) For any individual peril, projected aggregate catastrophe losses cannot be based upon a combination of modeled and historical losses associated with that peril.

(f) Catastrophe adjustment, whether based on modeled or nonmodeled losses as prescribed by 2644.5(a) or (b) above, shall apply as a single annual projection once all other adjustments to loss have been made. The catastrophe adjustment shall be expressed as a dollar amount of catastrophe losses per earned exposure, where earned exposure is taken from the most recent year of the recorded period.

(g) For residential and commercial property lines, no trend shall be applied to the catastrophe adjustment except for the trend factor that is used to project AIY as described in subdivision (c)(8) of this section.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi* (1994) 8 Cal.4th 216. Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment of section and NOTE filed 12-12-2024 pursuant to Government Code section 11343.8; operative 12-12-2024. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2024, No. 50).

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End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.6

§ 2644.6. Loss Development.

Currentness

"Loss development" is the process by which reported losses are adjusted for anticipated payout patterns. Loss development shall be presented as a loss-development triangle, based on the dollar-weighted average of the ratios of losses for the three most recent accident-years, policy-years or report-years available for a reporting interval. Filings shall contain both paid losses and case-specific reserves, stated separately. Loss development shall employ either paid losses or the sum of paid losses and case-specific reserves. The insurer shall submit both the factors and ultimate losses or claims for the paid and incurred loss and the reported and the paid claims development calculations, and shall demonstrate that its selection is the most actuarially sound. Loss development data shall exclude catastrophes. Where the loss development factors within a given line significantly vary by subline, by size of loss, or by coverage, separate loss development factors shall be calculated in accordance with that evidence.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

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2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

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4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

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Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.7

§ 2644.7. Loss and Premium Trend.

Currentness

(a) “Loss trend” and “premium trend” is the process by which forces not reflected in historical loss and premium data are expected to affect losses and premiums in the rating period.

(b) Trend factors shall be based on the exponential curve of best fit. Companies shall file the most recent 8, 12, 16, 20, and 24 quarters of rolling calendar year data excluding catastrophes. The premium and loss trend factors shall be developed using the insurer's most actuarially sound company-specific rolling calendar year data excluding catastrophes, for the most recent 8, 12, 16, 20, or 24 quarters. The insurer shall file its rate change application using the single data period that it determines to be the most actuarially sound. The Commissioner may require the use of an alternative data period if the Commissioner determines that use of the alternative is the most actuarially sound. Frequency trend shall be calculated as reported or closed claims divided by exposures. Severity trend shall be calculated on paid losses divided by closed claims or total paid losses, including partial payments in previous calendar years, on closed claims divided by closed claims. The insurer shall submit the frequency and severity calculations on all bases, and shall demonstrate that its selection is the most actuarially sound. Premium trend factors shall be developed using company-specific premium per exposure data.

(c) Where the trend factor within a given line significantly varies by subline, by policy limits, by region of the state, or by coverage, separate trend factors shall be calculated in accordance with that evidence.

(d) For homeowners multiple peril and private passenger automobile liability and physical damage, the standard for full credibility for loss trend shall be 6000 total claims over the same number of quarters as used in subsection (b) for each form for homeowners and for each coverage for private passenger automobile. Partial credibility shall be the square root of the ratio of the actual number of claims divided by the full credibility standard. For private passenger automobile other than motorcycle, the complement of credibility for loss trend shall be calculated using the latest available California Fast Track paid loss, closed claim count and earned exposure data, The complement shall be based on the exponential curve of best fit to the most recent rolling calendar year data for the same number of quarters as used in subsection (b). For uninsured and underinsured motorist bodily injury and medical payments coverages, the complement shall use the California Fast Track bodily injury data. For uninsured and underinsured motorist property damage coverages, the complement shall use the California Fast Track property damage data. The Commissioner may modify the result of the calculation from California Fast Track data to take into account factors not reflected in the historical data, pursuant to section 2646.3.

(e) For lines of business other than homeowners multiple peril and private passenger automobile liability and physical damage, the standard for full credibility for loss trend shall be determined using the most actuarially sound method. For lines of business

other than private passenger automobile liability and physical damage, the standard for the complement of credibility for loss trend shall be determined using the most actuarially sound method.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of section heading and section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

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End of Document

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Proposed Regulation

10 CCR § 2644.8

§ 2644.8. Projected Defense and Cost Containment Expenses.

Currentness

(a) The meaning of the term "projected defense and cost containment expenses (DCCE)" includes both the company's noncatastrophe historic costs associated with the defense and cost containment of noncatastrophe claims, developed and trended in the manner described in Sections 2644.6 and 2644.7, and the company's costs associated with the defense and cost containment of catastrophe claims, as prescribed in Section 2644.5.

(1) DCCE associated with noncatastrophe losses shall be developed:

(A) separately from losses;

(B) with losses; or

(C) as a ratio to losses.

(2) DCCE associated with noncatastrophe losses shall be trended:

(A) separately from losses; or

(B) with losses.

(3) Any provision for DCCE associated with catastrophe losses shall be determined in accordance with subdivisions (a) and (b) of Section 2644.5.

(b) The insurer shall provide its data separately for loss and DCCE, and demonstrate that its selections of development and trend for DCCE are the most actuarially sound selections.

(c) The projected DCCE shall be reflected per exposure for purposes of subdivision (a)(1)(A) of Section 2644.2 and subdivision (a)(1)(A) of Section 2644.3.

(d) For professional liability and errors and omissions coverage, the insurer shall tender an alternative computation of projected DCCE, which the Commissioner shall approve if the Commissioner finds the projection to have been made in the most actuarially sound manner. The insurer shall also provide projected DCCE in a manner specified in subdivisions (a) through (c) of this Section 2644.8 and in any other manner as may be required by the Commissioner.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi* (1994) 8 Cal.4th 216. Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of section heading and section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment of subsection (b) and repealer and new subsection (c) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

7. Change without regulatory effect amending subsection (c) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

8. Amendment of section and NOTE filed 12-12-2024 pursuant to Government Code section 11343.8; operative 12-12-2024. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2024, No. 50).

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Cal. Admin. Code tit. 10, § 2644.8, 10 CA ADC § 2644.8

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.9

§ 2644.9. Consideration of Mitigation Factors; Wildfire Risk Models.

Currentness

(a) Applicability.

(1) An insurer that applies or uses 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. If a rate that is developed with, determined by or relies upon a rating plan that complies with this section is approved, in whole or in part, and thereafter such rating plan is replaced, or modified in any manner, including but not limited to, the inclusion of new factors, or different criteria or algorithms, the insurer shall, prior to implementing the new or modified rating plan, file a new rate application, which shall include the new or modified rating plan. No such new or modified rating plan shall be used unless and until the new rate application is approved.

(2) A rating plan shall satisfy the requirements of subdivision (d)(1) of this Section 2644.9 only if the rating plan taken as a whole, including the operation of any Wildfire Risk Models that may be incorporated into the rating plan, takes into account and reflects the factors described in subdivisions (d)(1)(A) and (d)(1)(B) of this section. Nothing in this section shall be construed to require the use of a Wildfire Risk Model.

(b) Definitions.

As used in this section, each of the following terms has the meaning set forth below:

(1) Building Being Evaluated.

The term “Building Being Evaluated” means the residential or commercial structure in question, and includes decks that are attached to or abut the structure.

(2) Class-A Fire Rated Roof.

The term “Class-A Fire Rated Roof” has the same meaning as in the Chapter 7A California Building Code (2019) as modified by the July 2021 supplement thereto, codified at Section 705A.1 of Part 2 of Title 24.

(3) Enclosed Eaves.

"Enclosed Eaves" are roof eaves that have either (1) boxed-in roof eave soffits with a horizontal underside or (2) an exterior covering applied to the underside of the rafter tails supporting the eaves, which covering is sloped corresponding to the slope of the rafter tails. Enclosed Eaves are thus distinguishable from open roof eaves, whose rafter tails are exposed.

(4) Fire-Resistant Vents.

The term "Fire-Resistant Vents" has the same meaning as in the Chapter 7A California Building Code (2019) as modified by the July 2021 supplement thereto, codified at Sections 706A.1 and 706A.2 of Part 2 of Title 24.

(5) Firewise USA Site in Good Standing.

A "Firewise USA Site in Good Standing" is a community that, at the time the Building Being Evaluated is rated, is recognized as such by the National Fire Protection Association, a Massachusetts 501(c)(3) corporation.

(6) Wildfire Risk Model.

(A) The term "Wildfire Risk Model" means any tool, instrumentality, means or product, including but not limited to a map-based tool, a computer-based tool or a simulation, that is used by an insurer, in whole or in part, to measure or assess the wildfire risk associated with a residential or commercial structure for purposes of:

1. Classifying individual structures according to their wildfire risk; or

2. Estimating losses corresponding to such wildfire risk classifications.

(B) The term "Wildfire Risk Model" does not include models used for purposes of projecting aggregate losses under Section 2644.4 or 2644.5.

(c) Wildfire Risk Models to be provided to the Commissioner.

Pursuant to Insurance Code section 1861.05, subdivision (b), any Wildfire Risk Model, as defined in subdivision (b)(6) of this section, that is used, in whole or in part, in an insurer's rating plan shall be provided to the Commissioner as part of an insurer's complete rate application.

(d) Mandatory factors.

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

(A) Community-level mitigation designations: The rating plan shall reflect, and the rate offered to the applicant or insured shall be based in part on, the reduced wildfire risk associated with each and every community-level mitigation designation listed below in this subdivision (d)(1)(A) that is applicable to the community in which the Building Being Evaluated is located. Community-level mitigation designations include:

1. Fire Risk Reduction Community listed by the Board of Forestry pursuant to Public Resources Code section 4290.1; and

2. Firewise USA Site in Good Standing.

(B) Property-level mitigation efforts.

The rating plan shall reflect, and the rate offered to the applicant or insured shall be based in part on, the reduced wildfire risk resulting from each and every property-level wildfire risk mitigation effort listed in subdivisions (d)(1)(B)1.a. through (d)(1)(B)1.e. and (d)(1)(B)2.a. through (d)(1)(B)2.e., below, that is undertaken with respect to an individual property being assessed for risk. Individual property-level wildfire risk mitigation efforts include:

1. Measures addressing the immediate surroundings of the Building Being Evaluated, including:

   a. Clearing of vegetation and debris from under decks,

   b. Clearing of vegetation, debris, mulch, stored combustible materials, and any and all movable combustible objects, from the area within five (5) feet of the Building Being Evaluated,

   c. Incorporation of only noncombustible materials into that portion of any improvements to the property on which the Building Being Evaluated is located, including fences and gates, which is situated within five (5) feet of the Building Being Evaluated,

   d. Removal or absence of combustible structures, including sheds and other outbuildings, from the area within thirty (30) feet of the Building Being Evaluated or, in the event that the applicant or insured does not control the entirety of the area extending thirty feet from the Building Being Evaluated, removal of combustible structures from as much of such area as is under the control of the applicant or policyholder, and

   e. Whether the property upon which the Building Being Evaluated is situated complies with Section 4291 of the Public Resources Code, and any applicable local ordinances, governing defensible space; and

2. Building hardening measures, including provision of the following:

   a. Class-A Fire Rated Roof,

b. Enclosed Eaves,

c. Fire-Resistant Vents,

d. Multipane windows, including dual pane windows, or functional shutters, which when closed, cover the entire window and do not have openings, and

e. At least six (6) inches of noncombustible vertical clearance at the bottom of the exterior surface of the building, measured from the ground up.

(2) No later than one hundred eighty (180) days 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.

(e) Optional factors.

An insurer may use a rating plan which incorporates other factors that the insurer demonstrates are substantially related to risk of wildfire loss, and do not result in rates that are excessive, inadequate or unfairly discriminatory. These optional factors may include, but are not limited to:

(1) Fuel: This factor shall take into account the various types of combustible materials, and the density of those materials, in the vicinity of the Building Being Evaluated, including the location of trees, grass, brush, and other vegetation relative to the structure. The fuel factor shall take into account the fact that different fuels burn at different rates and intensities, resulting in different levels of wildfire risk. If used, this factor shall reflect the historic and estimated impact on losses related to fuel, as described in this subdivision (e)(1).

(2) Slope: This factor shall take into account the position of the Building Being Evaluated on a slope relative to potential sources of ignition, and the steepness of the slope between those potential sources of ignition and the structure. If used, this factor shall reflect the historic and estimated impact on losses related to slope, as described in this subdivision (e)(2).

(3) Access: Access reflects the ease or difficulty with which firefighting personnel and equipment can reach structures at risk of wildfire. The access factor shall include consideration of the presence of dead-end roads, road width, shoulders, and availability of multiple access points with respect to the Building Being Evaluated. If used, this factor shall reflect the historic and estimated impact on losses related to access, as described in this subdivision (e)(3).

(4) Aspect: The aspect factor shall reflect the direction the slope upon which the Building Being Evaluated is located faces. If used, this factor shall reflect the historic and estimated impact on losses related to aspect, as described in this subdivision (e)(4).

(5) Structural characteristics: The structural characteristics factor shall reflect the materials used in the construction, and may reflect such items as the design, of the Building Being Evaluated. The structural characteristics factor shall not reflect

the construction materials or any other item the insurer is required to take into account pursuant to subdivision (d) of this section. If used, the structural characteristics factor shall reflect the historic and estimated impact on losses related to structural characteristics, as described in this subdivision (e)(5).

(6) Wind: The wind factor shall take into account the degree to which wind speed and direction in the vicinity of the Building Being Evaluated may impact a wildfire's progression. If used, the wind factor shall reflect the historic and estimated impact on losses related to wind, as described in this subdivision (e)(6).

(7) Other community-level or property-level mitigation efforts, or designations, not specified in subdivision (d) of this section as recommended by a state or local fire safety agency or organization as reducing wildfire risk.

(f) Availability for public inspection.

Any rating plan, or Wildfire Risk Model submitted to the Commissioner in connection with a complete rate application pursuant to subdivision (c) of this section, or any additional documentation relating to such rating plan or model as may be requested by the Commissioner during the review of any such application, including any records, data, algorithms, computer programs, or any other information used in connection with the rating plan or Wildfire Risk Model used by the insurer which is provided to the Commissioner, shall be available for public inspection pursuant to Insurance Code sections 1861.05, subdivision (b), and 1861.07, regardless of the source of such information, or whether the insurer or the developer of the rating plan or Wildfire Risk Model claims the rating plan or Wildfire Risk Model is confidential, proprietary, or trade secret. Pursuant to Insurance Code section 1855.5, subdivision (a), a Wildfire Risk Model as defined in subdivision (b)(6) of this section that is made available by an advisory organization to its members for use in California shall be filed with the Commissioner and made available for public inspection.

(g) Credible data.

Any rate application shall incorporate the insurer's own California wildfire loss data to the extent that it is credible to support each segment, rating differential, or surcharge being requested. To the extent the insurer's own California data is not fully credible, the insurer shall credibility-weight its data with an appropriate complement of credibility to support each segment, rating differential, or premium surcharge. If the Commissioner aggregates California premium-and-loss data by wildfire risk to create a fire and wildfire exposure risk manual pursuant to Insurance Code section 929.2, an insurer may rely on the then-current version of the manual as support for each segment, rating differential, or surcharge being requested in connection with a residential property rate application, either directly or as a complement of credibility to the insurer's own California wildfire loss data.

(h) Provision of wildfire risk score or other wildfire risk classification to policyholder or applicant.

An insurer utilizing a Wildfire Risk Model, or rating factor, to segment, create a rate differential, or surcharge the premium based upon the policyholder or applicant's wildfire risk shall, within one hundred eighty (180) days after the date this section is filed with the Secretary of State, implement a written procedure to provide, in writing, to each such policyholder or applicant for property insurance the wildfire risk score or other wildfire risk classification used by the insurer to segment, create a rate differential, or surcharge the premium based upon the policyholder or applicant's wildfire risk. The insurer shall provide to the policyholder or applicant such wildfire risk score or classification at the following times:

(1) No later than fifteen (15) days following the submission to the insurer of the applicant's completed application;

(2) At least forty-five (45) days prior to each renewal;

(3) At least seventy-five (75) days prior to any nonrenewal; and

(4) In the event that the policyholder or applicant has completed a mitigation measure on the subject property since the time of the last application to or renewal by the insurer, no later than thirty (30) days following the submission to the insurer of the policyholder or applicant's request that the insurer provide a revised wildfire risk score or wildfire risk classification.

(i) Policyholder or applicant's right to appeal.

The procedure described in subdivision (h) of this section shall permit a policyholder under, or applicant for, a policy of property insurance who disagrees with the assignment of the wildfire risk score, or other wildfire risk classification, provided to the policyholder or applicant pursuant to that subdivision the right to appeal orally or in writing that assignment directly to the insurer. The insurer shall notify the policyholder or applicant in writing of this right to appeal the wildfire risk score or other wildfire risk classification whenever such score or classification is provided to the policyholder or applicant as set forth in subdivision (h) of this section. If the policyholder or applicant appeals the wildfire risk score or other wildfire risk classification, the insurer shall acknowledge receipt of the appeal in writing within ten (10) calendar days of receipt of the appeal. The insurer shall respond to the appeal in writing with a reconsideration and decision within thirty (30) calendar days after receiving the appeal. In the event that an appeal is denied, the insurer shall, upon request by the Department, forward a copy of the appeal, and the insurer's response, to the Department.

(j) Representation by broker or agent.

If the policyholder or applicant is represented by a broker, or the insurer is represented by an insurance agent with respect to the policyholder's policy or the applicant's application, the policyholder or applicant may appeal orally or in writing to the agent or broker the assignment of wildfire risk score or other wildfire risk classification, who shall then forward that appeal to the insurer no later than five (5) calendar days after receiving the appeal from the policyholder or applicant. The insurer shall acknowledge receipt of the appeal in writing to the policyholder or applicant and the agent or broker no later than five (5) calendar days after receipt of the appeal from the broker or agent. The insurer shall respond to the appeal to the policyholder or applicant and the agent or broker with a written reconsideration and decision of the appeal within thirty (30) calendar days after receiving the appeal from the broker or agent. In the event that an appeal is denied, the insurer shall, upon request by the Department, forward a copy of the appeal, and the insurer's response, to the Department.

(k) Explanation of wildfire risk score or other wildfire risk classification.

Whenever a wildfire risk score, or other wildfire risk classification used by the insurer to segment, create a risk differential or surcharge the premium for a particular policyholder or applicant, is identified or provided to the policyholder or applicant pursuant to subdivision (h) of this section, the insurer shall also provide in writing:

(1) The range of such scores or classifications that could possibly be assigned to any policyholder or applicant;

(2) The relative position of the score or classification assigned to the policyholder or applicant in question within that range of possible scores or classifications, and the impact of the score or classification on the rate or premium; and

(3) A detailed written explanation of why the policyholder or applicant received the assigned score or classification; the explanation shall make specific reference to the features of the property in question that influenced the assignment of the score or classification.

The insurer shall provide, in addition, the following information:

(A) Which mitigation measure or measures can be taken by the policyholder or applicant to lower the wildfire risk score or classification; and

(B) The amount of premium reduction the policyholder or applicant would realize as a result of performing each such measure under the insurer's rating plan that is in effect at the time.

(*l*) Notification to policyholder or applicant of right to contact Department in connection with insurer's response to appeal.

When an insurer responds to the applicant or policyholder in connection with an appeal pursuant to subdivision (i) or (j) of this section, it shall also notify the policyholder or applicant in writing that the policyholder or applicant may contact the Department of Insurance for assistance if the policyholder or applicant disagrees with the insurer's written reconsideration and decision. In any event, the insurer shall provide the policyholder or applicant with the Department of Insurance toll-free consumer hotline and web address of the Department's Consumer Complaint Center.

(m) No curtailment of applicant or policyholder's rights.

Nothing in this section shall be construed to limit the right of an applicant or policyholder to complain directly to the Commissioner at any time or to pursue any other remedy or other action allowed under California or federal law.

(n) Inapplicability to certain commercial policies.

This section shall not apply to a commercial policy insuring multiple locations, none of whose wildfire risk is considered in rating the policy.

Credits

NOTE: Authority cited: Sections 1858, 1859, 1861.01, 1861.05 and 1861.07, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1851, 1855.5, 1858, 1861.05, 1861.07 and 1861.13, Insurance Code.

HISTORY

1. New section filed 10-14-2022; operative 10-14-2022 pursuant to Government Code section 11343.4(b)(3) (Register 2022, No. 41). For prior history, see Register 2007, No. 1.

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Cal. Admin. Code tit. 10, § 2644.9, 10 CA ADC § 2644.9

End of Document

10 CCR § 2644.10

§ 2644.10. Excluded Expenses.

Currentness

The following expense items shall not be allowed for ratemaking purposes:

(a) Political contributions and lobbying.

(b) Executive compensation that exceeds the reasonable amount for such compensation.

For purposes of this computation, the following shall apply:

(1) “Executive” means the insurer's five highest-paid policymaking positions in each insurance group.

(2) “Compensation” means the total cash paid, including salary and bonus.

(3) “Maximum permissible executive compensation” means:

(A) For the highest paid executive in the group:

$$\text{max comp} = 1077(10^{1.4600 + 0.4060 \log X})$$

(B) For the second-highest paid executive in the group:

$$\text{max comp} = 1077(10^{1.4140 + 0.3490 \log X})$$

(C) For the third-highest paid executive in the group:

$$\text{max comp} = 1077(10^{1.2310 + 0.3820 \log X})$$

(D) For the fourth-highest paid executive in the group:

$$\text{max comp} = 1077(10^{1.2470 + 0.3580 \log X})$$

(E) For the fifth-highest paid executive in the group:

$$\text{max comp} = 1077(10^{1.2460 + 0.3420 \log X})$$

where X is the greater of (i) the insurer's total countrywide direct earned premium for the most recent completed calendar year for lines of business subject to Proposition 103 divided by 1,000,000 or (ii) 70.

(c) Bad faith judgments and associated defense and cost containment expenses.

(d) All costs attendant to the unsuccessful defense of discrimination claims.

(e) Fines and penalties.

(f) Institutional advertising expenses. “Institutional advertising” means advertising not aimed at obtaining business for a specific insurer and not providing consumers with information pertinent to the decision whether to buy the insurer's product.

(g) All payments to affiliates, to the extent that such payments exceed the fair market rate or value of the goods or services in the open market.

Except as allocated pursuant to section 2643.6, calculation of the amounts expended on the foregoing expense items shall be based on the insurer's national expenditures, allocated among states in proportion to earned premium.

The disallowance shall be effected by reducing the efficiency standard by the ratio of the insurer's national excluded expenses to its national direct earned premium.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of subsections (b), (c) and (g) and new subsections (b)(1)-(b)(3)(E) filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

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Cal. Admin. Code tit. 10, § 2644.10, 10 CA ADC § 2644.10

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 KeyCite Red Flag
KeyCite Red Flag Negative Treatment § 2644.11. Expense Trend. [Repealed]

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.11

§ 2644.11. Expense Trend. [Repealed]

Currentness

Credits
NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Repealer filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

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Cal. Admin. Code tit. 10, § 2644.11, 10 CA ADC § 2644.11

End of Document

10 CCR § 2644.12

§ 2644.12. Efficiency Standard.

Currentness

(a) The Commissioner shall calculate the efficiency standard annually, within 45 days of the publication of the necessary source data, which shall be expressed as a maximum allowable ratio of historic underwriting expenses, including adjusting and other expenses, to historic earned premiums, which represents the fixed and variable cost for a reasonably efficient insurer to provide insurance and to render good service to its customers.

(b) The efficiency standard shall be set separately for each insurance line, and separately for insurers distributing through independent agents and brokers, through exclusive agents, and through employees of the insurer selling insurance on a direct basis. For an insurer using more than one distribution system, the efficiency standard shall consist of an average weighted by earned premium for each distribution system. In setting the efficiency standard, the Commissioner shall determine whether, in the long-term, efficiency will be enhanced and premiums lowered by adopting a separate standard for insurers writing large and small amounts of insurance in the line. If the Commissioner determines that such separate standards would have such long-term effects, the Commissioner shall set the standard separately according to the amount of insurance being written in the line, pursuant to section 2646.3. In lines where the number of insurers employing a given distribution system is, in the judgment of the Commissioner, inadequate for the calculation of a mean that provides a useful efficiency standard, the Commissioner shall adopt a single efficiency standard for that line, pursuant to section 2646.3, which shall apply to all insurers writing in that line regardless of distribution system. For lines of business that combine personal and commercial exposures, the commissioner may set separate efficiency standards, pursuant to section 2646.3.

(c) The efficiency standard shall be calculated as the arithmetic average of the latest three years for which data are available.

(d) For farmowners, the efficiency standard for captive insurers shall be the average for all distribution systems combined.

(e) For earthquake, the efficiency standard shall exclude adjusting and other expenses. Adjusting and other expenses shall be added to defense and cost containment expenses.

(f) For burglary and theft, all distribution systems shall be combined, and a five-year average shall be used.

(g) In each category, the efficiency standard shall be set at the weighted mean (weighted by earned premium in California) expense ratio of insurers in that category. In calculating the average, the Commissioner may exclude insurers for which reliable data are not readily available.

(h) All data shall be taken from the National Association of Insurance Commissioners database of the statutory annual statement state page and of the Insurance Expense Exhibit, Part III.

(i) A company's data shall be included in the calculation only if

(1) The company is licensed in California;

(2) The company's California direct earned premium is greater than zero;

(3) The company's countrywide direct earned premium is greater than zero;

(4) The company's countrywide direct losses incurred is greater than zero; and

(5) The company's ratio of underwriting expenses, including adjusting and other expenses, to earned premium is greater than zero and less than 65%.

(j) If a company's commission expense is less than zero, the negative amount shall be set to zero.

(k) If a company's California allocated other acquisition expense is less than zero, the negative amount shall be set to zero.

(*l*) If a company's California allocated general expense is less than zero, the negative amount shall be set to zero.

(m) If a company's tax, licenses and fees expense is less than zero, the negative amount shall be set to zero.

(n) Countrywide expenses for general and other acquisition expenses shall be allocated to California on the basis of direct earned premium. Countrywide expenses for adjusting and other expenses shall be allocated to California on the basis of direct incurred losses.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

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4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Repealer of subsections (a)-(a)(3)(D), subsection relettering, amendment of newly designated subsections (a), (b) and (d) and new subsections (c) and (e)-(k) filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. New subsections (d)-(f), subsection relettering and amendment of newly designated subsection (n) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

7. Change without regulatory effect amending subsection (b) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

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10 CCR § 2644.13

§ 2644.13. Projected Ancillary Income.

Currentness

"Projected ancillary income" means projected net income to the insurer, or an affiliate of the insurer, not derived from insurance premiums subject to this subchapter but derived from operations directly related to insurance subject to this subchapter. Projected ancillary income shall be expressed on a per-exposure basis. Premium financing revenues and membership dues shall be included within projected ancillary income. "Affiliate" means a company having common management, ownership, or control with the insurer.

Credits

NOTE: Authority cited: Section 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Section 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Editorial correction amending section (Register 2005, No. 18).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.13, 10 CA ADC § 2644.13

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.14

§ 2644.14. Variable Expense Factor.

Currentness

The "variable expense factor" means the sum of the commission rate and the state premium tax rate.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.14, 10 CA ADC § 2644.14

End of Document

10 CCR § 2644.15

§ 2644.15. Profit Factors.

Currentness

(a) The "maximum profit factor" means

(1) The maximum permitted after-tax rate of return, as defined in section 2644.16,

(2) divided by the product of

(A) the leverage factor, as defined in section 2644.17,

(B) multiplied by the underwriting federal income tax factor, as defined in section 2644.18.

(b) The "minimum profit factor" means

(1) the minimum permitted after-tax rate of return, as defined in section 2644.16,

(2) divided by the product of

(A) the leverage factor, as defined in section 2644.17,

(B) multiplied by the underwriting federal income tax factor, as defined in section 2644.18.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of subsections (a)(2)(B) and (b)(2)(B) filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.15, 10 CA ADC § 2644.15

End of Document

KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2644.16

§ 2644.16. Rate of Return.

Currentness

(a) The maximum permitted after-tax rate of return means the risk-free rate, as defined in section 2644.20(d), plus 6%.

(b) The minimum permitted after-tax rate of return shall be -6%, which the Commissioner finds is high enough to prevent any undue risk of insolvency and to prevent injury to competition through predatory pricing.

(c) The Commissioner may increase or decrease the maximum permitted after-tax rate of return by not more than 2% if the Commissioner finds financial market conditions to be such that the difference between the risk-free rate and the cost of capital is significantly different from its historical average.

(d) Notwithstanding subdivision (c), the Commissioner shall permit consideration for the cost or benefits of reinsurance according to subdivision (b) of 2644.25.1.

Credits
NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Repealer and new section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. New subsection (c) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

7. Change without regulatory effect amending subsection (c) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

8. New subsection (d) filed 1-13-2025 pursuant to Government Code section 11343.8; operative 1-13-2025. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2025, No. 3).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.16, 10 CA ADC § 2644.16

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Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.17

§ 2644.17. Leverage Factor and Surplus.

Currentness

(a) "Leverage factor" means the ratio of earned premiums to the average of year-beginning and year-end surplus.

(b) The Commissioner shall calculate industry-wide leverage factors for each insurance line annually, within 45 days of the publication of the necessary source data. The factors shall be calculated using the consolidated underwriting and investment exhibit as published in Best's Aggregates and Averages. The allocation of the commercial multiple peril data to liability and non-liability and the allocation of the automobile physical damage data to private passenger and commercial shall be done using data from the Exhibit of Premiums and losses (Statutory Page 14 Data) as published in Best's Aggregates and Averages. For medical malpractice, other liability and product liability, there shall be separate leverage factors for claims-made and occurrence. Total national industry surplus shall be allocated to lines of business in proportion to the sum of the national industry-wide earned premium, unearned premium, loss and loss adjustment expense reserves. The leverage factor for each line of business shall be the national premium divided by the allocated surplus.

Notwithstanding the result of the calculation, the leverage factor for earthquake shall be 1.0. For other lines of business subject to catastrophes, mass torts and other unusual events, the Commissioner shall modify the leverage factors where he finds that they do not provide a reliable estimate of future risk, pursuant to section 2646.3.

(c) The Commissioner finds that investors' perceived investment risk may vary from line to line. Thus, while the rate of return does not vary by line, insurance perceived to have a greater risk will yield higher returns per premium dollar.

Credits
NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment of subsection (b) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.17, 10 CA ADC § 2644.17

End of Document

10 CCR § 2644.18

§ 2644.18. Federal Income Tax Factors.

Currentness

(a) "Underwriting federal income tax factor" means 1.0 minus the prospective federal income tax rate on underwriting. The Commissioner finds that the prospective federal income tax rate on underwriting is 21%.

(b) "Investment federal income tax factor" means 1.0 minus the prospective federal income tax rate on investment income. The prospective federal income tax rate on investment income shall be calculated using the weighted yield, adjusted for investment expenses, computed in section 2644.20 and shall take into account any tax preferences and exemptions for the income from each asset class and from each category of bond issuer. The Commissioner finds that the prospective federal income tax rate on the investment income from taxable bonds, mortgage loans, real estate, cash and short-term investments and on investment expenses is 21%, on capital gains is 21%, on tax-exempt bond interest is 5.25% and on stock dividends is 13.125%. For investment income on other invested assets, the prospective federal income tax rate shall be the weighted average of the tax rates on the above categories.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of section heading and repealer and new section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment filed 2-23-2018; operative 2-23-2018. Exempt from the Administrative Procedure Act and OAL review pursuant to Government Code section 11340.9(g); submitted to OAL for filing and printing only pursuant to Government Code section 11343.8 (Register 2018, No. 8).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.18, 10 CA ADC § 2644.18

End of Document

10 CCR § 2644.19

§ 2644.19. Investment Income Factors.

Currentness

(a) "Fixed investment income factor" means the projected yield, as defined in section 2644.20,

(1) multiplied by the ratio of the investment federal income tax factor and the underwriting federal income tax factor, as defined in section 2644.18,

(2) multiplied by the loss reserves ratio, as defined in section 2644.21.

Stated as a formula:

$$\textit{Fixed invest inc factor} = \textit{yield} \times \frac{\textit{FIT inv inc}}{\textit{FIT und}} \times \textit{loss reserves ratio}$$

(b) "Variable investment income factor" means the projected yield, as defined in section 2644.20,

(1) multiplied by the ratio of the investment federal income tax factor and the underwriting federal income tax factor, as defined in section 2644.18,

(2) multiplied by the sum of

(A) the unearned premium reserves ratio, as defined in section 2644.21,

(B) plus the surplus ratio, as defined in section 2644.22.

Stated as a formula:

$$\textit{Var invest inc factor} = \textit{yield} \times \frac{\textit{FIT inv inc}}{\textit{FIT und}} \times (\textit{uep reserves ratio} + \textit{surplus ratio})$$

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of section heading and repealer and new section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.19, 10 CA ADC § 2644.19

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Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.20

§ 2644.20. Projected Yield.

Currentness

(a) “Projected yield” means the weighted average yield computed using the insurer's actual portfolio and yields currently available on securities in US capital markets. The weights shall be determined using the insurer's most recent consolidated statutory annual statement, and shall be computed by dividing the insurer's assets in each separate asset class shown on page 2, lines 1 through 9 of the insurer's consolidated statutory annual statement, by the total of lines 1 through 9. The yields for each asset class shall be based on an average of the most recent available 3 complete months, as of the date of filing.

(b) The bond asset class shall be subdivided into the issuer categories of US government bonds, other taxable bonds and tax exempt bonds and into the maturity categories of short, intermediate and long-term shown. For the purposes of this section, “US government” means the sum of rows 1.7, U.S. governments, and 2.7, all other governments, of schedule D, part 1A, section 1 of the insurer's consolidated statutory annual statement, “other taxable” means the sum of rows 6.7, public utilities, 7.7, industrial and miscellaneous, 8.7, credit tenant loans, 9.7, parent subsidiaries and affiliates and half of row 5.7, special revenue and special assessments and “tax-exempt” means the sum of rows 3.7, states, territories and possessions, 4.7, political subdivision of states, territories and possessions, and half of row 5.7. For the purposes of this section, “short-term” means one year or less, “intermediate-term” means more than one year through 10 years, and “long-term” means more than 10 years.

(c) “Yields currently available on securities in US capital markets” means,

(1) US government bonds

(A) Short: yield on the nominal 3-month constant maturity US Treasury bill as provided in the Federal Reserve H.15 statistical release

(B) Intermediate: yield on the nominal 10-year constant maturity US Treasury bond as provided in the Federal Reserve H.15 statistical release

(C) Long: yield on the nominal 20-year constant maturity US Treasury bond as provided in the Federal Reserve H.15 statistical release

(2) Other taxable bonds

(A) Short: yield on 3-month financial commercial paper as provided in the Federal Reserve H.15 statistical release

(B) Intermediate: average yield on 10-year corporate A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(C) Long: average yield on 20-year corporate A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(3) Tax exempt bonds

(A) Short: yield on short-term other taxable bonds times 1 minus the federal income tax rate of 21%

(B) Intermediate: average yield on 10-year municipal A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(C) Long: average yield on 20-year municipal A and AA rated bonds as provided by Valu/Bond on Yahoo.com

(4) Common stock

(A) Dividends: ten-year average income return as provided in the Ibbotson yearbook

(B) Capital gains: the risk-free rate, below, plus 8%, which the Commissioner finds represents the risk-premium for common stock investments generally, minus dividends, above

(5) Preferred stock dividends: average yield on Moody's A-rated public utility preferred stocks as provided by Mergent Bond Record

(6) Mortgage loans: yield on long-term other taxable bonds, above

(7) Real estate: the risk-free rate, below, plus 2%, which the Commissioner finds represents the risk-premium for real estate investments

(8) Cash and short term: yield on short-term US Treasury bills, above

(9) Other: yield on common stock, above

(d) The “risk-free rate” means the average of the short, intermediate and long-term US government bonds, above, except that the short-term shall be one month instead of three and the intermediate term shall be five years instead of ten.

(e) The projected yield shall be reduced by the ratio of incurred investment expenses, page 11, line 25, column 3, of the insurer's consolidated statutory annual statement, divided by the total of cash and invested assets, page 2, line 10.

(f) The projected yield shall be multiplied by the ratio of cash and invested assets, page 2, line 10 of the insurer's consolidated statutory annual statement, divided by the sum of reserves, page 3, lines 1, 3 and 9, and surplus, page 3, line 35.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Repealer and new section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment of subsection (c)(5) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

7. Amendment of subsection (c)(3)(A) filed 2-23-2018; operative 2-23-2018. Exempt from the Administrative Procedure Act and OAL review pursuant to Government Code section 11340.9(g); submitted to OAL for filing and printing only pursuant to Government Code section 11343.8 (Register 2018, No. 8).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.20, 10 CA ADC § 2644.20

End of Document

10 CCR § 2644.21

§ 2644.21. Reserves Ratio.

Currentness

(a) "Unearned premium reserves ratio" means

(1) the average of the last two years ending unearned premium reserves

(2) divided by the earned premium for the most recent year for which data are available.

(b) "Loss reserves ratio" means

(1) the average of the last two years ending

(A) loss reserves plus

(B) loss adjustment expense reserves

(2) divided by the incurred loss and defense and cost containment expense for the most recent year for which data are available.

(c) For burglary and theft, the loss reserve ratio shall be the dollar-weighted average of the loss reserve ratios for fire, allied lines and inland marine.

There shall be one industry-wide unearned premium reserves ratio and one loss reserves ratio for each line of business. The industry-wide numbers shall be the sum of all such numbers taken from the California state page of the statutory annual statement for all insurers doing business in California. Countrywide adjusting and other expense reserves from Best's Aggregates & Averages shall be allocated to California by loss and defense and cost containment reserves. For medical malpractice, other liability and products liability, California premium and reserves shall be allocated between occurrence and claims-made using countrywide numbers from Best's Aggregates & Averages. The Commissioner shall perform the calculation within 45 days of the publication of the necessary source data. Notwithstanding the result of the calculation, the loss reserves ratio for earthquake shall be 1.0. For other lines of business subject to catastrophes, mass torts and other unusual events, the Commissioner shall modify the industry-wide numbers where he finds that they do not provide a reliable estimate of future expectations of the reserve ratios, pursuant to section 2646.3.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Repealer and new section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. New subsection (c) and redesignation of former second paragraph of subsection (b)(2) as second paragraph of subsection (c) filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.21, 10 CA ADC § 2644.21

End of Document

10 CCR § 2644.22

§ 2644.22. Surplus Ratio.

Currentness

"Surplus ratio" means the reciprocal of the leverage factor. Stated as a formula:

$$\textit{surplus ratio} = \frac{1}{\textit{leverage factor}}$$

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.22, 10 CA ADC § 2644.22

End of Document

10 CCR § 2644.23

§ 2644.23. Credibility Adjustment.

Currentness

(a) To the extent that the maximum and minimum permitted earned premiums are based upon data that lack credibility, a credibility adjustment shall be made.

(b) For each form for homeowners multiple peril and for each coverage for private passenger auto liability and physical damage the standard for full credibility shall be 3000 claims. Partial credibility shall be the square root of the ratio of the actual number of incurred claims in the experience period divided by the full credibility standard. For lines of business other than homeowners multiple peril and private passenger automobile liability and physical damage, the standard for full and partial credibility shall be determined using the most actuarially sound method.

(c) When the loss and defense and cost containment expense data is less than fully credible, in the maximum and minimum premium formulas in sections 2644.2 and 2644.3, the following shall be substituted:

(1) The sum of

(A) the credibility weight, as defined in section 2644.23(b),

(B) multiplied by the sum of

(i) projected loss, as defined in section 2644.4,

(ii) plus projected defense and cost containment expense, as defined in section 2644.8,

(2) plus

(A) the difference of

(i) 1.0

(ii) minus the credibility weight, as defined in section 2644.23(b),

(B) multiplied by the complementary loss and defense cost containment expense, as defined in section 2644.23(d).

Stated as a formula:

Credibility weight x (loss + DCCE) + (1- credibility weight) x comp loss DCCE

(d) The complementary loss and defense and cost containment expense means

(1) the quotient of

(A) the sum of

(i) the trended current rate level premium, as defined in section 2644.24,

(ii) multiplied by 1.0 plus the complement trend, as defined in section 2644.23(g),

(iii) multiplied by the maximum denominator, as defined in section 2644.2(c).

(B) plus

(i) the ancillary income, as defined in section 2644.13

(2) divided by 1 minus the fixed investment income factor, as defined in section 2644.19.

Stated as a formula:

Comp loss DCCE = (TCRLP x (1 + comp trend) x max denom + ancil income) /(1 - fixed invest inc factor)

(e) Where the cost of reinsurance is allowed, as provided in section 2644.25, the credibility adjustment in subsection (c) shall be made to loss plus defense and cost containment expense minus reinsurance recoverable, as defined in section 2644.26.

(f) Where the cost of reinsurance is allowed, as provided in section 2644.25, the complementary loss and defense and cost containment expense means

(1) The quotient of

(A) The sum of

(i) the trended current rate level premium, as defined in section 2644.24,

(ii) multiplied by 1.0 plus the complement trend, as defined in section 2644.23(g),

(iii) Multiplied by the maximum denominator, as defined in section 2644.2(c).

(B) plus the ancillary income, as defined in section 2644.13,

(C) Minus the product of

(I) the reinsurance premium, as used in section 2644.25, divided by 1 minus the variable expense factor, as defined in section 2644.14,

(Ii) multiplied by the maximum denominator, as defined in section 2644.2(c),

(2) Divided by 1 minus the fixed investment income factor, as defined in section 2644.19.

Stated as a formula:

Comp loss DCCE = (TCRLP x (1 + comp trend) x max demon + ancil income - reins perm / (1 - vary exp factor) x max demon)/ (1 - fixed invest Inc factor)

(g) The complement trend means the annual net trend plus one, raised to the power of the number of years from the effective date of the current rate to the proposed effective date of the proposed rates, minus one.

Stated as a formula:

Comp trend = ((annual net trend+1)^number of years) -1

If the number of years from the effective date of the current rate to the proposed effective date of the proposed rates exceeds four, the complement trend shall be the annual net trend plus one, raised to the fourth power, minus one.

(h) The annual net trend is the ratio of the loss trend, as defined in section 2644.7, annualized, plus one, divided by the premium trend, as defined in section 2644.7, annualized, plus one, minus one.

Stated as a formula:

Annual net trend = ((annual loss trend +1)/(annual premium trend +1))-1

(i) If the credibility weight is less than 25% the applicant or the Commissioner may use an alternative complementary loss and defense and cost containment expense, provided that the alternative is the most actuarially sound method.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of subsection (a), repealer and new subsections (b) and (c) and new subsections (c)(1)-(g) filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

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Cal. Admin. Code tit. 10, § 2644.23, 10 CA ADC § 2644.23

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.24

§ 2644.24. Trended Current Rate Level Earned Premium.

Currentness

"Trended current rate level earned premium" means the earned premium per exposure for the recorded period adjusted to the current rate level based on subsequent rate changes and further adjusted for premium trend. The trend adjustment shall be calculated by applying the premium trend factor separately to data from each year in the recorded period.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi,* 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

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Cal. Admin. Code tit. 10, § 2644.24, 10 CA ADC § 2644.24

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KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2644.25

§ 2644.25. Reinsurance.

Currentness

(a) For all lines and sublines except for those listed in the next subparagraph, and the catastrophe perils within the property lines listed in subdivision (b) of section 2644.25.1, ratemaking shall be on a direct basis, with no consideration for the cost or benefits of reinsurance.

(b) For earthquake and for medical malpractice facultative reinsurance with attachment points above one million dollars, the maximum permitted earned premium is calculated as follows:

The sum of

(1) the quotient of

(A) the difference of

(i) the product of

a. the projected losses, as defined in section 2644.4, plus the projected defense and cost containment expense, as defined in section 2644.8, minus the projected reinsurance recoverables, as defined in section 2644.26,

b. multiplied by 1 minus the fixed investment income factor, as defined in section 2644.19(a),

(ii) minus the projected ancillary income, as defined in section 2644.13,

(B) divided by the sum of

(i) 1.0,

(ii) minus the efficiency standard, as defined in section 2644.12,

(iii) minus the maximum profit factor, as defined in section 2644.15,

(iv) plus the variable investment income factor, as defined in section 2644.19(b).

(2) plus the quotient of

(A) the reinsurance premium, net of ceding and contingent commissions,

(B) divided by the difference of

(i) 1.0,

(ii) minus the variable expense factor, as defined in section 2644.14.

Stated as a formula:

$$\textit{Max permitted EP} = \frac{\textit{(losses + DCCE - recoverables) x (1- fixed invest income factor) - ancil inc.}}{\textit{1 - eff std - profit factor + var invest inc factor}} + \frac{\textit{reins premium}}{\textit{1-var exp factor}}$$

(c) For the calculation of fixed investment income factor, the numerator and denominator of the loss reserves ratio shall be adjusted for projected reinsurance recoverables, and for the variable investment income factor, the numerator and denominator of the unearned premium reserve ratio shall be adjusted to reflect the cash flows of the unearned reinsurance premium.

(d) Reinsurance costs shall be allowed for ratemaking purposes as set forth in this section only if: (1) the reinsurance agreement was entered into in good faith in an arms-length transaction and at fair market value for the coverage provided, and (2) the reinsurance meets the statement credit requirements of Sections 2303 through 2303.25.

(e) There will be no allowance for reinsurance between affiliated entities as set forth in Schedule Y of the Annual Statement.

(f) Copies of the reinsurance agreements shall be submitted with the filing.

(g) For the purposes of this section and section 2644.26, reinsurance shall include other risk financing mechanisms, such as catastrophe bonds.

(h) For the earthquake line, if at least 30% of the requested rate results from the cost of reinsurance, and a consumer or the consumer's representative requests a hearing within 45 days of public notice, the Commissioner shall hold a hearing on the issue of the reasonableness of the reinsurance costs, as defined in section (d), and whether some or all of those costs shall be reflected in the proposed rate change. An insurer's rate application shall indicate whether at least 30% of the requested rate results from the cost of reinsurance.

(i) For the medical malpractice line, if at least 30% of the requested rate is attributable to the cost of facultative reinsurance with attachment points above one million dollars, and a consumer or a consumer's representative requests a hearing within 45 days of public notice, the Commissioner shall hold a hearing on the issue of the reasonableness of the reinsurance costs, as defined in section (d), and whether some or all of those costs shall be reflected in the proposed rate change. An insurer's rate application shall indicate whether at least 30% of the requested rate results from the cost of reinsurance.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

2. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

3. Change without regulatory effect amending subsections (h) and (i) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

4. Amendment of subsection (a) filed 1-13-2025 pursuant to Government Code section 11343.8; operative 1-13-2025. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2025, No. 3).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.25, 10 CA ADC § 2644.25

End of Document

KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2644.25.1

§ 2644.25.1. Reinsurance for Property Catastrophe Perils.

Currentness

(a) Ratemaking shall be on a direct basis, with no consideration for the cost or benefits of reinsurance, except for the lines listed in section 2644.25, and the catastrophe perils within the property lines listed in subdivision (b).

(b) For the catastrophe perils of flood, fire following earthquake, and wildfire exposure for commercial property insurance and "qualifying residential property insurance," as that is defined in section 2644.4.8, within the property lines of fire, allied lines, private flood, homeowners, farm owners, and commercial non-liability, the maximum permitted earned premium is calculated as described in subpart (1). Additionally, for an insurer that thus complies with section 2644.4.8 with respect to such "qualifying residential property insurance," the maximum permitted earned premium is calculated as described in subpart (1) for wildfire exposure covered under a renter's insurance policy, an HO-6 policy, or the equivalent of an HO-6 policy.

(1) the quotient of

(A) the sum of

(i) a. projected losses, as defined in section 2644.4,

b. plus projected defense and cost containment expenses, as defined in section 2644.8,

(ii) multiplied by 1 minus the fixed investment income factor as defined in section 2644.19(a),

(B) minus projected ancillary income, as defined in section 2644.13,

(2) divided by the maximum denominator, as defined in section 2644.25.1(d),

(3) plus the quotient of

(A) the Standard NCOR as defined in section 2644.25.2(j),

(B) divided by 1 minus the variable expense factor, as defined in section 2644.14.

Stated as a formula:

$$\textit{Max permitted EP} = \frac{(\textit{losses} + \textit{DCCE}) \times (1 - \textit{fixed invest income factor}) - \textit{ancil income}}{\textit{max denom}} + \frac{\textit{standard net cost of reinsurance}}{1 - \textit{var exp factor}}$$

(4) The maximum denominator means:

(A) 1.0,

(B) minus the efficiency standard, as defined in section 2644.12,

(C) minus the maximum profit factor, as defined in section 2644.15,

(D) plus the variable investment income factor, as defined in section 2644.19(b).

Stated as a formula:

Max denom = 1 - eff std - profit factor + var invest inc factor

(c) The cost or benefits of reinsurance shall be allowed for ratemaking purposes as set forth in this section only if the insurer complies with the insurer commitments defined in section 2644.25.3.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-13-2025 pursuant to Government Code section 11343.8; operative 1-13-2025. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2025, No. 3).

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Cal. Admin. Code tit. 10, § 2644.25.1, 10 CA ADC § 2644.25.1

End of Document

KeyCite Yellow Flag
Proposed Regulation

10 CCR § 2644.25.2

§ 2644.25.2. Standard Net Cost of Reinsurance.

Currentness

(a) The Commissioner shall calculate the Standard Net Cost of Reinsurance (Standard NCOR) parameters from time to time as conditions warrant, and when updated source data is available. Data and information used to calculate the Standard NCOR shall prioritize the following:

(1) Information that represents the diversity and scope of insurance companies operating in California.

(2) Data that is most relevant to the current market conditions.

(3) Data and information that support the most actuarially sound parameters.

(4) Comprehensive data that is available, reliable, and reduces long-term volatility in the Standard NCOR methodology.

(b) The Standard NCOR parameters shall be expressed as permitted return multiples for specific loss probability layers, which represent the net cost for a reasonably efficient insurer to purchase reinsurance coverage or hold additional capital for exposure to the occurrence of catastrophic property loss, or both.

(1) Loss probability layers represent the coverage ranges within reinsurance contracts, where the reinsurer typically provides coverage for losses exceeding a certain dollar threshold up to a given dollar limit. The dollar thresholds and limits of these individual reinsurance coverage layers correspond to specific probabilities of loss, which can be used to aggregate and compare data across reinsurance contracts of varying sizes with different underlying risks.

(c) The Standard NCOR parameters shall be set separately for insurer/coverage groups.

(1) Insurer/coverage groups shall be assigned based upon objectively measurable or observable characteristics of the insurer and/or the coverage provided by the insurer to its policyholders for the catastrophe perils within property lines listed in subdivision (b) of section 2644.25.1.

(2) The Commissioner shall establish no less than three insurer/coverage groups, and may establish additional insurer/coverage groups based on the Commissioner's review and determination of updated and credible source data, to achieve a more actuarially sound result.

(d) In setting the insurer/coverage groups, the Commissioner shall determine whether adopting separate parameters for a given characteristic, or combination of characteristics, would produce a more actuarially sound result.

(1) If the Commissioner determines that adopting separate parameters for a given characteristic, or combination of characteristics, would produce a more actuarially sound result, the Commissioner shall set the parameters separately, pursuant to section 2646.3.

(A) Characteristics that may be relevant include, but are not limited to, insurer capital structure, amount of insurance being written based on premium or policy counts, percentage of insurance written in California, property line of business, and/or catastrophe peril.

(e) In determining whether a given characteristic, or combination of characteristics, would produce a more actuarially sound result, the Commissioner shall consider:

(1) The relationship with expected property catastrophe reinsurance costs;

(2) Common or standardized industry practices related to expected property catastrophe reinsurance costs;

(3) Limitations created by business practices and whether such limitations are likely to have a significant impact;

(4) The degree to which expected property catastrophe reinsurance costs vary within an insurer/coverage group (homogeneity);

(5) The size of an insurer/coverage group and its predictive value for expected property catastrophe reinsurance costs (credibility);

(6) The tradeoffs between practical and other relevant considerations (practicality); and

(7) The reasonableness of the results that proceed from their use.

(f) To determine the specific loss probability layers, the Commissioner shall consider:

(1) Common or standardized industry practices for both the purchase of property catastrophe reinsurance and the modeling of loss return periods;

(2) The homogeneity of return multiples by layer;

(3) The credibility of return multiple data by layer;

(4) The practicality of the number of layers; and

(5) The reasonableness of the results that proceed from their use.

(g) For each specific loss probability layer, the permitted return multiple shall be the average return multiple over the layer, calculated as the definite integral from the starting loss probability to the ending loss probability of a curve of best fit on return multiples by loss probability from the source data, as defined in section (i) of this section, divided by the length of the integration interval.

(1) In calculating curves of best fit, the Commissioner may exclude insurers and/or reinsurance coverage layers for which reliable data are not readily available in the source data.

(2) The Commissioner may consider, but is not limited to the consideration of, the currentness, consistency, reasonability, sufficiency, and any known limitations of the data when determining its reliability.

(h) Since the net cost for a reasonably efficient insurer to purchase reinsurance coverage and/or hold additional capital for exposure to the occurrence of catastrophic property loss may vary by the combination of catastrophe perils and/or property lines covered in California, where multiple catastrophe perils and/or property lines are covered in California, the Commissioner shall set both the level of detail at which the Standard NCOR parameters shall apply and the methodology by which the results are combined.

(1) Level of detail and methodology

(A) In setting the level of detail at which the Standard NCOR parameters shall apply and the methodology by which the results are combined, the Commissioner shall determine whether adopting a given treatment would produce a more actuarially sound result.

(B) The Commissioner shall consider, but is not limited to the consideration of, the following methodologies when determining whether a given treatment will produce a more actuarially sound result:

(i) Applying the Standard NCOR parameters to each catastrophe peril and/or property line in California individually, with or without covariance adjustments;

(ii) Applying the parameters to all catastrophe perils and property lines combined and allocating the results to individual catastrophe perils and property lines; or

(iii) A combination of (i) and (ii).

(2) If the Commissioner determines that a given treatment would produce a more actuarially sound result, the Commissioner shall adopt such treatment, pursuant to section 2646.3.

(i) Data used in subdivisions (a) through (h) of this section shall be derived from data available to the California Department of Insurance, including from data calls that the California Department of Insurance conducts relating to reinsurance strategies and placement, and/or publicly available data, whatever would produce the most actuarially sound result. If the Commissioner determines that the use of publicly available data alone would produce the most actuarially sound result, the Commissioner shall use such data, pursuant to section 2646.3.

(1) Any data derived from data calls shall only be released to the public in the aggregate so that no individual insurer experience is revealed.

(j) If an insurer complies with the commitments defined in section 2644.25.3, the insurer may file its complete rate application, made pursuant to section 2648.4, using the Standard NCOR parameters for its insurer/coverage group(s) for the catastrophe perils within property lines listed in subdivision (b) of section 2644.25.1.

(1) The permitted return multiples shall be applied to the expected losses generated from one or a combination of catastrophe models for the specific loss probability layers, at the level of detail set by the Commissioner.

(A) The expected losses may be adjusted to include a provision for defense and cost containment expenses (DCCE), either by applying a historical ratio of noncatastrophe DCCE to noncatastrophe loss or by applying a historical ratio of catastrophe DCCE to catastrophe loss.

(2) The results for multiple catastrophe perils and/or property lines covered in California shall be combined according to the methodology set by the Commissioner, where applicable.

(k) It is expected that in an insurer's complete rate application, made pursuant to section 2648.4, any catastrophe model(s) used for subdivision (j) of this section shall be consistent with the catastrophe model(s) used for subdivisions (a) through (c) of section 2644.4.5.

(1) The use of catastrophe models shall comply with the requirements set forth in subdivisions (d) through (f) of section 2644.4.5, and the inclusion of any required model information in the complete rate application proceeding shall make such information public information.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-13-2025 pursuant to Government Code section 11343.8; operative 1-13-2025. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2025, No. 3).

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Cal. Admin. Code tit. 10, § 2644.25.2, 10 CA ADC § 2644.25.2

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Proposed Regulation

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.25.3

§ 2644.25.3. Distressed Areas; Insurer Commitments for NCOR.

Currentness

An insurer that opts to make, fulfill, and document the fulfillment of its insurer commitments in the manner specified in this section 2644.25.3 may consider the cost or benefits of reinsurance as permitted by subdivision (b) of section 2644.25.1.

The term "qualifying residential property insurance," for purposes of this section 2644.25.3, is as defined in section 2644.4.8.

(a) Distressed areas, and properties insured by FAIR Plan policies, that are to be used in insurer commitments for the purposes of this section 2644.25.3 are as defined in subdivision (a) of section 2644.4.8.

(b) Statewide market share calculations for the purposes of this section 2644.25.3 will be determined as described in subdivision (b) of section 2644.4.8.

(c) An insurer shall, as part of a complete rate application filing made pursuant to section 2648.4, submit an insurer commitment as set forth in subdivision (d), (e) and/or (j) of this section.

(d) Insurer commitments with respect to qualifying residential property insurance.

The insurer shall commit in writing to achieving no later than two years (730 days) after the approval of its rate filing (the insurer's "performance date" hereinafter), or maintaining, and then subsequently maintaining, the insurer's earned exposure commitment in the distressed areas of the state as follows:

(1) Eighty-five percent standard.

(A) The insurer shall commit to write in distressed areas a number of policies that is no less than the product of (1) the insurer's statewide market share, as calculated pursuant to subdivision (b)(1) of section 2644.4.8, (2) 0.85, and (3) the total number of statewide distressed areas earned exposures pursuant to subdivision (b)(2) of section 2644.4.8; or

(B) In the event the insurer already meets or exceeds the eighty-five percent standard set forth above in subdivision (d)(1)(A) of this section at the time of its rate application, the insurer shall commit to maintaining at least the same number of earned exposures in the distressed areas as it reported in the rate application filing pursuant to subdivision (c) of this section.

(2) Five percent increment.

After the approval of its rate filing (the insurer's "performance date" hereinafter), the insurer may instead commit to writing additional policies as specified in subdivision (d)(3) in the voluntary market inside the distressed areas of the state such that, on the performance date, the insurer has increased its number of earned exposures inside the distressed areas by at least the number of policies equal to five percent (5%) of its earned exposures in the distressed areas of the state within the most recent 12 month period used in its recorded period as submitted in the insurer's rate application pursuant to subdivision (c) of this section. Upon meeting the initial five percent (5%) increment, the insurer shall commit in writing in each subsequent two year (730 days) period to writing additional policies as specified in subdivision (d)(3) in the voluntary market inside the distressed areas of the state such that it continues to increase its number of earned exposures inside the distressed areas by at least the number of policies equal to an additional five percent (5%) of the insurer's earned exposures in the distressed areas of the state until it meets or exceeds the eighty-five percent standard set forth above in subdivision (d)(1)(A) of this section.

(3) In the event that one or more of the bulletins described in subdivision (a) of section 2644.4.8 that is or are referred to in an insurer's approved rate application pursuant to subdivision (c) of this section (the insurer's "starting bulletin or bulletins" hereinafter) have been updated since the time the application was filed, then the insurer may satisfy its insurer commitment according to the same procedures as subdivisions (d)(3)(A) and (d)(3)(B) of section 2644.4.8.

(4) The additional policies written in order to satisfy the requirement of subdivision (d) of this section shall include only the additional policies described in subdivision (d)(4) of section 2644.4.8.

(e) Insurer commitments with respect to commercial property insurance shall be made in the same manner as subdivision (f) of section 2644.4.8. Upon meeting the initial five percent (5%), as described in subdivision (f)(2) of section 2644.4.8, the insurer shall commit in writing in each subsequent two year (730 days) period to writing additional policies such that it insures, and maintains, additional properties in eligible ZIP codes whose total insurable value is, in the aggregate, at least equal to five percent (5%) of the sum of the total insurable value of its insured properties in all the eligible ZIP codes, taken as a whole, until it has made a total of three (3) five percent (5%) commitments in order to consider the cost or benefits of reinsurance as permitted by subdivision (b) of section 2644.25.1.

(f) An insurer shall document the fulfilment and maintenance of its insurer commitment as described in subdivision (g) of section 2644.4.8, with the exception of the application of the subdivision (g)(3)(C).

(g) A modification of an insurer commitment shall be governed as described in subdivision (h)(1) of section 2644.4.8.

(h) If at any time an insurer fails to fulfill its insurer commitment, or within a period of two years after the approval of its original application, or at any point thereafter, fails to make reasonable progress toward timely fulfilling its insurer commitment, then the insurer shall immediately submit a new rate application renouncing its insurer commitment as described

in subdivision (d) or (e) of this section. In this case, the new rate application shall not consider the costs or benefits of reinsurance as permitted by subdivision (b) of section 2644.25.1.

(i) An insurer that obtained approval to consider the cost or benefits of reinsurance in its original application shall file one of the attestations described in subdivision (i)(1) and (2) of section 2644.4.8 in every subsequent rate application.

(j) Any contrary provision of this section notwithstanding, if for any of the reasons stated in subdivision (j)(1) of section 2644.4.8, an insurer is unable, in good faith, to make a commitment as set forth in subdivisions (d) or (e) of this section, then an insurer may propose an alternative commitment in a complete rate application filing made pursuant to subdivision (c) of this section, as described in subdivision (j)(2) of section 2644.4.8.

(k) Nothing in this section shall be construed as limiting, in any way, an insurer's ability to offer qualifying residential property insurance or commercial property insurance in this state.

(*l*) If any provision or clause of this section or the application thereof to any person or situation is held invalid, such invalidity shall not affect any other provision or application of this section which can be given effect without the invalid provision or application. To this end, the provisions of this section are hereby declared to be severable.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-13-2025 pursuant to Government Code section 11343.8; operative 1-13-2025. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2025, No. 3).

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Cal. Admin. Code tit. 10, § 2644.25.3, 10 CA ADC § 2644.25.3

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Article 4. Determination of Reasonable Rates

10 CCR § 2644.26

§ 2644.26. Reinsurance Recoverables.

Currentness

"Reinsurance recoverables" means all amounts recoverable from reinsurers for paid and unpaid losses and loss adjustment expenses per exposure, including estimated amounts receivable for unsettled claims and claims incurred but not reported as provided under reinsurance agreements.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

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Cal. Admin. Code tit. 10, § 2644.26, 10 CA ADC § 2644.26

End of Document

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Proposed Regulation

10 CCR § 2644.27

§ 2644.27. Variance Request.

Currentness

(a) A request that the maximum permitted earned premium or minimum permitted earned premium should be adjusted is referred to as a "variance request."

(b) Requests for variances shall be filed with the Rate Regulation Branch, together with the insurer's complete rate application. All such variance requests shall specifically:

(i) identify each and every variance request;

(ii) identify the extent or amount of the variance requested and the applicable component of the ratemaking formula;

(iii) set forth the expected result or impact on the maximum and minimum permitted earned premium that the granting of the variance will have as compared to the expected result if the variance is denied; and

(iv) identify the facts and their source justifying the variance request and provide the documentation supporting the amount of the change to the component of the ratemaking formula.

(c) A request for variance shall be filed at the same time as the insurer's complete rate application to which it applies or after the filing of the complete rate application and before any final determination regarding that application. Public notice of all variance requests shall be provided as set forth in Insurance Code sections 1861.05, subdivision (c), and 1861.06.

(d) A variance request shall be deemed approved sixty days after public notice unless:

(i) a consumer or a consumer's representative requests a hearing within forty-five days of public notice and the Commissioner grants the hearing, or determines not to grant the hearing and issues written findings in support of that decision, or

(ii) the Commissioner on the Commissioner's own motion determines to hold a hearing.

(e) Variance requests shall be determined in conjunction with the related complete rate application or rate hearing thereon.

(f) The following are the valid bases for requesting a variance:

(1) That the insurer should be allowed relief from the efficiency standard for bona fide loss-prevention and loss-reduction activities as set forth below.

(A) The insurer meeting the qualifications set forth below may obtain an increase in the applicable efficiency standard by the amount of its "Allocated Costs" for its Special Investigations Unit ("SIU") expense for the most recent year. The term SIU as used in this section has the same meaning as that term has in Section 2698.30, subdivision (p). The term "Allocated Costs" means those costs set forth in subsection (iii) and attributable to investigations of claims made on the line of insurance subject to Insurance Code section 1861.05, subdivision (b) for which the variance is sought.

(i) An insurer may recover its "Allocated Costs" for its SIU expenses only in its approved rate filing for the line of insurance affected by the SIU investigation costs.

(ii) Affiliated insurers who utilize the same SIU unit may recover the portion of their "Allocated Costs" for their SIU expenses attributable to investigations of claims made on the line of insurance in the rate application only in one approved rate application for the line affected by the Allocated SIU costs. The term "Affiliated Insurers" has the same meaning as that term has in Insurance Code section 1215.

(iii) The only recoverable SIU expenses are those expended for investigators whose sole duties are investigation of insurance fraud, software dedicated solely to analysis of data for indications of insurance fraud, training of employees whose sole duty is the investigation of fraud and equipment to be used solely by the insurer's SIU. The recoverable expenses do not include the costs of employing or other costs for adjustors or underwriters.

(iv) The only recoverable SIU expenses are for SIU's dedicated to investigation of insurance fraud within the State of California or for the portion of an SIU's operations within California. The burden of demonstrating the amount of SIU expenses, and that those expenses are for the investigation of insurance fraud within the State of California, is the insurer's.

(v) An insurer may recover the "Allocated Costs" of retaining an independent contractor to perform SIU services as described in sub-paragraph (iii). The variance shall be calculated by multiplying the fees paid for the independent agency with whom the insurer contracts by the percentage of referrals of claims made on the line of insurance for which the rate application and variance application are made and that the contracted agency investigates in California on behalf of the insurer seeking the variance.

(vi) No expense that is included within the Defense and Cost Containment Expense portion of an insurer's complete rate application can be included in whole or in part as the basis for a variance based on SIU expenses. The terms "Defense and Cost Containment Expense" or "DCCE" when used with regard to any variance have the same meaning as those terms have in Section 2644.23, subdivision (c).

(vii) An insurer that asserts that payments to: (1) an independent contractor; or (2) an SIU owned by an Affiliated Insurer; or (3) an SIU independent of an insurer, but which is owned directly or indirectly, in whole or part by the insurer applying for a variance or by an Affiliated Insurer, shall in its variance request, provide the Department of Insurance with documentation showing the costs of investigation for the purported "Allocated Costs" claimed in the variance request. The payments constituting the basis for the variance must be *bona fide* payments for investigation of individual cases of suspected insurance fraud. It shall be the burden of the insurer to demonstrate that the costs are *bona fide* costs for investigation of insurance fraud in the State of California.

(B) An insurer meeting the qualifications set forth below will be allowed to recover its expenses for the most recent year for dedicated loss prevention programs such as brush clearance, driver education, risk management, hazard mitigation or accident prevention. Loss prevention expenses do not include SIU expenses under subsection (A).

(i) An insurer may recover its "Allocated Costs" for its loss prevention expenses only in its approved rate for the line of insurance affected by the loss prevention expenses.

(ii) The insurer must provide documentation detailing the loss prevention program, what additional costs are being incurred and what losses are being prevented.

(iii) Recoverable loss prevention expenses are those expended for employees whose duties are loss prevention, software dedicated to loss prevention, and equipment to be used for loss prevention. Recoverable loss prevention expenses do not include the routine and customary costs of marketing or employing underwriters or adjusters.

(iv) The only loss prevention expenses recoverable are for loss prevention programs dedicated to loss prevention in the State of California or for the portion of the program within California. The burden of demonstrating the amount of loss prevention costs, and that those costs are expended for loss prevention in the State of California, is on the insurer.

(2) That the insurer should be allowed relief from the efficiency standard due to any or all of the following:

(A) Higher quality of service, as demonstrated by objective measures of consumer satisfaction; or

(B) Demonstrated superior service to underserved communities, as defined in Section 2646.6; or

(C) Significantly smaller or larger than average California policy premium, including any applicable fees. These fees include but are not limited to: policy fees, installment fees, endorsement fees, inspection fees, cancellation fees, reinstatement fees, late fees, SR-22, and other similar charges.

(3) That the insurer should be authorized leverage factor different from the leverage factor determined pursuant to Section 2644.17 on the basis that the insurer either writes at least 90% of its direct earned premium in one line or writes at least 90% of its direct earned premium in California and its mix of business presents investment risks different from the risks that are typical of the line as a whole. The leverage factor shall be adjusted by multiplying it by 0.85. The surplus ratio in

Section 2644.22 shall likewise be divided by 0.85. If an insurer writes at least 90% of its direct earned premium in one line and writes at least 90% of its direct earned premium in California, the insurer will only be authorized one leverage factor adjustment of 0.85.

(4) That the insurer should be granted relief from operation of the efficiency standard for a line of insurance in which the insurer has never previously written over $1 million in earned premiums annually and in which the insurer has made or is making a substantial investment in order to enter the market. Any such request shall be accompanied by a proposed amortization schedule to distribute the start-up investment.

(5) That the minimum permitted earned premium should be lowered on the basis of the insurer's certification, and the Commissioner's finding, that the rate will not cause the insurer's financial condition to present an undue risk to its solvency and will not otherwise be in violation of the law.

(6) That the insurer's financial condition is such that its maximum permitted earned premium should be increased in order to protect the insurer's solvency. Any application for authorization under this subsection shall include:

(A) A showing of the insurer's condition, based on generally accepted standards such as the National Association of Insurance Commissioners' Insurance Regulatory Information System;

(B) A plan to restore the financial condition;

(C) A showing that, consistent with the claimed condition, the insurer has reduced or foregone dividends to stockholders or policyholders; and

(D) A plan to reduce rates once the insurer's condition is restored, in order to compensate consumers for excessive charges.

(7) That the insurer should be granted relief from using its in-force business as specified in subdivision (e) of Section 2644.4.5 because the insurer's in-force exposures do not reflect the insurer's prospective exposure to risk, such that the modeled catastrophe adjustment in subdivision (a) of Section 2644.5 does not produce the most actuarially sound result.

(8) That the loss development formula in Section 2644.6 does not produce an actuarially sound result because

(A) There is not enough data to be credible;

(B) There are not enough years of data to fully calculate the development to ultimate;

(C) There are changes in the insurer's reserving or claims closing practices that significantly affect the data;

(D) There are changes in coverage or other policy terms that significantly affect the data;

(E) There are changes in the law that significantly affect the data; or

(F) There is a significant increase or decrease in the amount of business written or significant changes in the mix of business.

(9) That the trend formula in Section 2644.7 does not produce the most actuarially sound result because

(A) There is a significant increase or decrease in the amount of business written or significant changes in the mix of business;

(B) There are not enough years of data to calculate the trend factor;

(C) There is a significant change in the law affecting the frequency or severity of claims;

(D) It can be shown that a trend calculated over a period of at least 4 quarters other than a period permitted pursuant to Section 2644.7, subdivision (b) is more reliable prospectively;

(E) There are changes in the insurer's claims closing practices that significantly affect the data; or

(F) There are changes in coverage or other policy terms that significantly affect the data.

(10) That the maximum permitted earned premium would be confiscatory as applied. This is the constitutionally mandated variance articulated in *20th Century v. Garamendi* (1994) 8 Cal.4th 216 which is an end result test applied to the enterprise as a whole. Use of this variance requires a hearing pursuant to Section 2646.4.

(11) That the Standard NCOR, as defined in section 2644.25.2(j), does not accurately reflect the company's actual reinsurance costs, and does not produce an actuarially sound result.

(A) Any such request for variance shall be accompanied by a proposed net cost of reinsurance provision that is calculated based on the insurer's executed reinsurance agreements with supporting documentation, including but not limited to, complete copies of the reinsurance agreements with signatures and no redactions.

(B) Reinsurance agreements shall be allowed in the proposed net cost of reinsurance provision calculation only if: (1) the reinsurance agreement was entered into in good faith in an arms-length transaction and at fair market value for the coverage provided, and (2) the reinsurance meets the statement credit requirements of sections 2303 through 2303.25.

(C) There will be no allowance for reinsurance between affiliated entities as set forth in Schedule Y of the Annual Statement.

(g) If there is more than one actuarial analysis of a variance, each of which is based on reliable data and utilizes methods which are shown by qualified expert evidence to be generally accepted as sound by the actuarial community and the appropriate methods for the particular variance, then the variance shall be granted, denied or calculated utilizing the actuarial proposition that results in the soundest actuarial result.

(h) Notwithstanding any other section of these regulations, the aggregate total adjustment to the efficiency standard for all variances combined shall not exceed the difference between the insurer's most recent year total expense ratio excluding defense and cost containment expenses and the efficiency standard.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi* (1994) 8 Cal.4th 216. Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

2. Amendment filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

3. Change without regulatory effect amending subsections (d)(i)-(ii) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

4. Amendment of subsections (b), (c), (e), (f)(1)(A), (f)(1)(A)(ii), (f)(1)(A)(iv), (f)(1)(A)(vi), (f)(1)(B)(iv), (f)(2)(B), (f)(3), (f)(7), (f)(7)(C)-(D), (f)(8), (f)(8)(D) and NOTE filed 10-8-2024; operative 10-8-2024 pursuant to Government Code section 11343.4(b)(3). Exempt from the APA and OAL review pursuant to Government Code section 11340.9(g). Submitted to OAL for filing and printing only pursuant to Government Code section 11343.8 (Register 2024, No. 41).

5. Amendment of subsection (c), new subsection (f)(7), subsection renumbering and amendment of newly designated subsection (f)(10) filed 12-12-2024 pursuant to Government Code section 11343.8; operative 12-12-2024. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2024, No. 50).

6. New subsections (f)(11)-(f)(11)(C) filed 1-13-2025 pursuant to Government Code section 11343.8; operative 1-13-2025. Submitted to OAL for filing and printing only pursuant to Government Code section 11340.9(g) (Register 2025, No. 3).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.27, 10 CA ADC § 2644.27

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 4. Determination of Reasonable Rates

10 CCR § 2644.28

§ 2644.28. Prospective Application of Revisions to Regulations.

Currentness

Any amendment to this subchapter shall only apply prospectively. A rate change application shall be subject to the rules of this subchapter that are in effect on the date the application is received by the Commissioner pursuant to section 1861.05(c) of the Insurance Code.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company v. Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 5-16-2008; operative 5-16-2008. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2008, No. 20).

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2644.28, 10 CA ADC § 2644.28

End of Document

Barclays California Code of Regulations
Title 10. Investment
Chapter 5. Insurance Commissioner (Refs & Annos)
Subchapter 4.8. Review of Rates
Article 6. Procedures for Determination of Rates

10 CCR § 2646.4

§ 2646.4. Hearings on Individual Insurers' Rates.

Currentness

(a) This section applies to any request for a hearing on an individual insurer's rates, and applies to both requests made prior to a rate becoming effective and to requests concerning a rate in effect.

(1) A request for a hearing on a rate application shall be either delivered or mailed to the Department of Insurance within 45 days of the public notice specified in subdivision (c) of Insurance Code section 1861.05.

(2) A request for a hearing at any other time shall be based on the allegation that, pursuant to subdivision (a) of Insurance Code section 1861.05, a rate is "in effect which is excessive, inadequate, unfairly discriminatory or otherwise in violation of" chapter 9 (commencing with section 1851) of part 2 of division 1 of the Insurance Code.

(b) A hearing on a rate application, and a hearing based on the allegation that a rate in effect is excessive, inadequate, unfairly discriminatory or otherwise in violation of chapter 9 (commencing with section 1851) of part 2 of division 1 of the Insurance Code shall be for the purpose of determining whether

(1) the insurer has properly applied the statute and these regulations in calculating the maximum or minimum permitted earned premium; or

(2) the maximum permitted earned premium or minimum permitted earned premium calculated on the basis of the statute and these regulations, should be adjusted as provided in section 2644.27. A request that the maximum permitted earned premium or minimum permitted earned premium should be adjusted is referred to as a "variance request."

(c) Relitigation in a hearing on an individual insurer's rates of a matter already determined either by these regulations or by a generic determination is out of order and shall not be permitted. However, the administrative law judge shall admit evidence the administrative judge finds relevant to the determination of whether the rate is excessive or inadequate (or, in the case of a proceeding under Article 5, relevant to the determination of the minimum nonconfiscatory rate), whether or not such evidence is expressly contemplated by these regulations, provided the evidence is not offered for the purpose of relitigating a matter already determined by these regulations or by a generic determination.

Credits

NOTE: Authority cited: Sections 1861.01 and 1861.05, Insurance Code; and *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1861.01 and 1861.05, Insurance Code; and *Calfarm Insurance Company* v. *Deukmejian* (1989) 48 Cal.3d 805.

HISTORY

1. New section filed 8-13-91 as an emergency; operative 8-13-91 (Register 92, No. 3). A Certificate of Compliance must be transmitted to OAL 12-11-91 or emergency language will be repealed by operation of law on the following day.

2. Repealed by operation of Government Code section 11346.1(g) (Register 92, No. 15).

3. New section refiled 2-14-92 as an emergency; operative 2-14-92 (Register 92, No. 15). A Certificate of Compliance must be transmittted to OAL 6-15-92 or emergency language will be repealed by operation of law on the following day.

4. Repealed by operation of Government Code section 11346.1(g) and new section filed 3-15-95; operative 3-15-95. Submitted to OAL for printing only pursuant to Government Code section 11343(a)(1) (Register 95, No. 11).

5. Amendment of subsections (b)(1) and (b)(2), repealer of subsections (c)-(d) and subsection relettering filed 1-3-2007; operative 4-3-2007. Submitted to OAL for printing only pursuant to Government Code section 11340.9(g) (Register 2007, No. 1).

6. Change without regulatory effect amending subsection (c) filed 7-14-2021 pursuant to section 100, title 1, California Code of Regulations (Register 2021, No. 29). Filing deadline specified in Government Code section 11349.3(a) extended 60 calendar days pursuant to Executive Order N-40-20.

This database is current through 6/6/25 Register 2025, No. 23.

Cal. Admin. Code tit. 10, § 2646.4, 10 CA ADC § 2646.4

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STATE FARM GENERAL INSURANCE COMPANY

BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Applications of STATE FARM GENERAL INSURANCE COMPANY, Applicant.	File No. 24-1271; PA-2024-00012 **PROOF OF SERVICE**

PROOF OF SERVICE

I, Kristel Gelera, declare:

I am a citizen of the United States and employed in San Mateo County, California. I am over the age of eighteen years and not a party to the within-entitled action. My business address is 855 Main Street, Redwood City, California 94063. On June 12, 2025, I served a copy of the within document(s):

STATE FARM GENERAL'S JULY 12, 2025 LETTER TO ALL PARTIES

- ☐ by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, the United States mail at Redwood City, California addressed as set forth below.
- ☐ by placing the document(s) listed above in a sealed Federal Express envelope and affixing a pre-paid air bill, and causing the envelope to be delivered to a Federal Express agent for delivery.
- ☐ by personally delivering the document(s) listed above to the person(s) at the address(es) set forth below.
- ☒ by transmitting via my electronic service address (kristel.gelera@hoganlovells.com) the document(s) listed above to the person(s) at the e-mail address(es) set forth below.
- ☐ by electronically filing the document(s) with the Clerk of the Court by causing the documents to be sent to One Legal, the Court's Electronic Filing Services Provider for electronic filing and service. Electronic service will be effected by One Legal's case-filing system at the electronic mail addresses indicated on the attached Service List.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on June 12, 2025, at San Jose, California.

Signature

SERVICE LIST
All service via e-mail

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