

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

EXPLICIT EXEMPTION OF MOBILEHOMES AND MANUFACTURED HOMES

**APPROVED BY OAL AND
FILED WITH THE SECRETARY
OF STATE: 4/18/11
EFFECTIVE: 6/27/11**

REGULATION FILE REG-2010-00001

Standards and Training for Estimating Replacement Value on Homeowners' Insurance

Amend Section 2188.65. Broker-agent Training on Estimating Replacement Value.

(a) As used in this section 2188.65 and in Insurance Code section 1749.85 the following terms have the following meanings:

(1) "Homeowners' insurance policy" shall have the same meaning as "policy of residential property insurance" as defined in subdivision (a) of Insurance Code section 10104. A "homeowners' insurance policy" does not include:

(A) a tenant's policy;

(B) a policy covering an individually owned mobilehome and its contents;

(C) a policy covering an individually owned manufactured home and its contents;

(D) a renter's policy; or

(E) a policy insuring an individually owned condominium unit that does not provide dwelling structure coverage.

(2) "Replacement value" shall have the same meaning as "replacement cost" and is defined as the amount it would cost to repair, construct, rebuild or replace a damaged or destroyed structure.

(3) "Fire and casualty broker-agent" and "personal lines broker-agent" mean holders of the licenses defined in Insurance Code sections 1625 and 1625.5, respectively. Fire and casualty broker-agents and personal lines broker-agents are also referred to as "broker-agents" in this section.

(b) On or after June 27, 2011, every California resident fire and casualty broker-agent and personal lines broker-agent who has not already taken a homeowners' insurance valuation training course must satisfactorily complete one three-hour training course on homeowners' insurance valuation meeting the requirements of this section prior to estimating the replacement value of structures in connection with, or explaining the various levels of coverage under, a homeowners' insurance policy. For resident broker-agents, this requirement shall be part of, and not in addition to, the continuing education requirements of Insurance Code section 1749.3. The homeowners' insurance valuation training course needs to be taken only once in order to satisfy the requirements of this subdivision (b).

(c) The training required by this section must be approved by the commissioner and shall consist of topics related to dwelling, fire, and homeowners' insurance. Any course taken to satisfy the requirements stated in Section 1749.85 of the Insurance Code shall use subject matter described in this article.

(d) The broker-agent shall be trained on the differences between homeowners' insurance coverage and other Fire, and Dwelling Property policies, which differences may necessitate differences in coverage or coverage levels. The broker-agent shall also be trained on the basic concepts of property insurance and estimating replacement value, which includes:

(1) How loss settlement provisions in an insurance policy apply to major claims, the potential causes of underinsurance and the potential effects that underinsurance may have on settlement;

(2) The differences in the measure of indemnity between actual cash value coverage and replacement cost coverage, as summarized in Insurance Code sections 2051, 2051.5, and 10102, including:

(A) California Residential Property Insurance Disclosure, as described in Insurance Code section 10102; and

(B) Depreciation and how it is applied under a homeowners' insurance policy;

(3) The several components and features of a structure necessary to estimate replacement cost, as well as the other costs incident to reconstruction, including at least the following:

(A) Type of foundation;

(B) Type of frame;

(C) Roofing materials and type of roof;

(D) Siding materials and type of siding;

(E) Whether the structure is located on a slope;

(F) Size of the entire structure and, separately, the square footage of the living space;

(G) Geographic location of property;

(H) Number of stories and any nonstandard interior wall heights;

(I) Materials used in, and generic types of, interior features and finishes, such as, where applicable, the type of heating and air conditioning system, walls, flooring, ceiling, fireplaces, kitchen and bath(s);

(J) Cost of demolition and debris removal;

(K) Cost of permits and architect's plans;

(L) Age of the structure or the year it was built; and

(M) Size and type of attached garage; and

(N) Additional costs associated with building a single or custom home.

(4) The effects of catastrophes on replacement cost. This includes how shortages of construction labor, building supplies, fuel, transportation issues, and permit restrictions can result in increased costs, sometimes referred to as demand surge, and delays in rebuilding.

(5) Review of the significant enhancements and endorsements to the homeowners' insurance policy, and identification of coverages that help protect against underinsurance. The review is to include:

(A) what is included and excluded in Building Code Upgrade (Ordinance and Law) Coverage, as defined in California Insurance Code section 10102; and

(B) the various types and levels of replacement cost, as defined in California Insurance Code section 10102;

(6) Review of the California Standard Form Fire Policy and FAIR (Fair Access to Insurance Requirements) Plan coverages, as described in California Insurance Code sections 2071 and 10090, respectively; review of earthquake insurance coverages as described in

Insurance Code section 10081 et seq., including coverage offered by the CEA (California Earthquake Authority).

(7) Review of the types of basic building construction, including tilt-up, cinderblock, wood frame, brick and masonry, and metal frame.

(8) Review of the various methodologies of estimating replacement cost including:

- (A) Proprietary replacement cost valuation tools;
- (B) Real estate appraisals;
- (C) Insurance company's valuation software;
- (D) Contractor's and architect's estimates or opinions;
- (E) Cost per square footage estimates; and
- (F) Insured's opinion.

(9) Review of fire mitigation and how it affects insurance costs, to include:

(A) Define, recognize, and describe the fire problem in the wildland urban interface;

(B) Discuss the areas that affect the risk and hazard such as topography, fuel types and locations, weather, and construction; and

(C) Discuss current statutes and regulations that address efforts to mitigate and indicate that local codes may also apply. These statutes, regulations and codes include requirements for defensible space and fire-resistant building construction.

(e) The training required by this section 2188.65 shall ensure that the broker-agent is aware of the provisions of sections 2695.182 and 2695.183.

(f) Any course or seminar that is disapproved for the reason that it fails to comply with this section shall be presumed invalid for credit towards the continuing education requirement of this section unless the course or seminar is later approved in writing by the commissioner.

NOTE: Authority cited: Sections 790.04, 790.10, 1749.7, 1749.85, and 2051.5, Insurance Code.

Reference: Sections 790.03, 790.04, 1625, 1625.5, 1749.1, 1749.3, 1749.31, 1749.85, 2051.5, 10087, and 10104, Insurance Code.

Amend Section 2695.180. Definitions.

As used in this article and in California Insurance Code section 1749.85 the following terms have the following meanings:

(a) "Homeowners' insurance policy" shall have the same meaning as a "policy of residential property insurance" as defined in subdivision (a) of Insurance Code section 10104. A "homeowners' insurance policy" does not include:

(A) a tenant's policy;

(B) a policy covering an individually owned mobilehome and its contents;

(C) a policy covering an individually owned manufactured home and its contents;

(D) a renter's policy; or

(E) a policy insuring an individually owned condominium unit that does not provide dwelling structure coverage.

(b) "Replacement value" shall have the same meaning as "replacement cost" and is defined as the amount it would cost to repair, construct, rebuild or replace a damaged or destroyed structure.

(c) "Fire and casualty broker-agent" and "personal lines broker-agent" mean holders of the licenses defined in Insurance Code sections 1625 and 1625.5, respectively. Fire and casualty broker-agents and personal lines broker-agents are also referred to as "broker-agent" in this article.

(d) "Licensee" means

(1) any person or entity that holds a license or certificate of authority issued by the Department of Insurance;

(2) a broker-agent; or

(3) any other entity for whom the Insurance Commissioner's consent is required before transacting business in the State of California or with California residents.

(e) "Estimate of replacement value" shall have the same meaning as "estimate of replacement cost" and means any estimate, statement, calculation, approximation or opinion, whether expressed orally or in writing, regarding the projected replacement value of a particular structure or structures.

NOTE: Authority cited: Sections 790.10, 1749.7, 1749.85, and 2051.5, Insurance Code.

Reference: Sections 790.03, 1625, 1625.5, 1749.85, 2051.5, 10087, and 10104, Insurance Code.