

Introduced by Senator RothFebruary 23, 2015

An act to amend Section 10089.40 of the Insurance Code, relating to earthquake insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 336, as introduced, Roth. Earthquake insurance: rates.

Existing law establishes the California Earthquake Authority and authorizes the authority to transact insurance in this state as necessary to sell policies of basic residential earthquake insurance. Existing law requires that the rates established by the authority be actuarially sound so as to not be excessive, inadequate, or unfairly discriminatory. Existing law provides that policyholders who have retrofitted their homes to withstand earthquake shake damage according to standards and to the extent set by the governing board of the authority shall enjoy a premium discount or credit of 5 percent on the authority-issued policy of residential earthquake coverage. Existing law authorizes the board to approve a premium discount or credit above 5 percent if the discount or credit is determined by the authority to be actuarially sound.

This bill would instead provide that those policyholders shall enjoy a premium discount or credit of at least 5 percent on the authority-issued policy of residential earthquake coverage. The bill would also make nonsubstantive, technical changes.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10089.40 of the Insurance Code is
2 amended to read:

3 10089.40. (a) Rates established by the authority shall be
4 actuarially sound so as to not be excessive, inadequate, or unfairly
5 discriminatory. Rates shall be established based on the best
6 available scientific information for assessing the risk of earthquake
7 frequency, severity, and loss. Rates shall be equivalent for
8 equivalent risks. Factors the board shall consider in adopting rates
9 include, but are not limited to, the following:

10 (1) Location of the insured property and its proximity to
11 earthquake faults and to other geological factors that affect the
12 risk of earthquake or damage from earthquake.

13 (2) The soil type on which the insured dwelling is built.

14 (3) Construction type and features of the insured dwelling.

15 (4) Age of the insured dwelling.

16 (5) The presence of earthquake hazard reduction factors,
17 including those set forth in subdivision (a) of Section 10089.2.

18 (b) (1) If scientific information from geologists, seismologists,
19 or similar experts that assesses the frequency or severity of risk of
20 earthquake is considered in setting rates or in arriving at the
21 modeling assumptions upon which those rates are based, the
22 information may be used to establish differentials among risks
23 only if the information, assumptions, and methodology used are
24 consistent with the available geophysical data and the state of the
25 art of scientific knowledge within the scientific community.

26 (2) Scientific information from geologists, seismologists, or
27 similar experts shall not be conclusive to support the establishment
28 of different rates between the most populous rating territories in
29 the northern and southern regions of the state unless that
30 information, as analyzed by experts such as the United States
31 Geological Survey, the California ~~Division of Mines and Geology,~~
32 *Geological Survey*, and experts in the scientific or academic
33 community, clearly shows a higher risk of earthquake frequency,
34 severity, or loss between those most populous rating territories to
35 support those differences.

36 (3) It is not the intent of the Legislature in adopting this
37 subdivision to mandate a uniform statewide flat rate for California
38 Earthquake Authority policies.

1 (c) The classification system established by the board shall not
2 be adjusted or tempered in any way to provide rates lower than
3 are justified for classifications that present a high risk of loss or
4 higher than are justified for classifications that present a low risk
5 of loss.

6 (d) Policyholders who have retrofitted their homes to withstand
7 earthquake shake damage according to standards and to the extent
8 set by the board shall enjoy a premium discount or credit of *at*
9 *least* 5 percent on the authority-issued policy of residential
10 earthquake coverage. For residential dwellings, the ~~5-percent~~
11 discount shall be applicable if the dwelling, at a minimum, meets
12 the following requirements: the dwelling was built prior to 1979,
13 is tied to the foundation, has cripple walls braced with plywood
14 or its equivalent, and the water heater is secured to the building
15 frame. For mobilehomes, the ~~5-percent~~ discount shall be applicable
16 if the mobilehome, at a minimum, is reinforced by an earthquake
17 resistant bracing system certified by the Department of Housing
18 and Community Development. The board may approve a premium
19 discount or credit above ~~5-percent~~, *as long as percent if* the discount
20 or credit is determined *by the authority to be* actuarially ~~sound by~~
21 ~~the authority.~~ *sound.*

22 (e) All rates shall be approved by the commissioner prior to
23 their use.