

Assembly Bill No. 1983

Passed the Assembly April 24, 2000

Chief Clerk of the Assembly

Passed the Senate August 10, 2000

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2000, at _____ o'clock ____M.

Private Secretary of the Governor



CHAPTER _____

An act to amend Section 10100.2 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1983, Kuehl. FAIR Plan: brush hazards.

Existing law provides for the creation of the FAIR Plan, under which all insurers licensed to write basic property insurance participate in an industry placement facility to administer a program for the equitable apportionment among those insurers of basic property insurance for persons who are unable to obtain that coverage through normal channels, as specified. Existing law provides that insurers that voluntarily write basic property insurance in designated brush hazard or inner-city areas will be proportionately relieved of the liability to participate in the FAIR Plan.

This bill would provide that if the reason for imposing a brush surcharge under a FAIR Plan policy is solely because an adjacent property owner is not in compliance with specified brush clearance requirements, the brush surcharge shall instead be imposed on the policy of that adjacent property owner, as specified.

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

SECTION 1. It is the intent of the Legislature, by enacting this act, to remedy a situation in which a FAIR Plan policyholder has complied with the requirements for brush removal but is surcharged solely based on brush existing on a neighbor's property that the neighbor refuses to remove. It is the intent of this act, therefore, to shift the cost of noncompliance with brush clearance requirements entirely to the noncompliant neighbor, as long as that neighbor is also covered by the FAIR Plan.

SEC. 2. Section 10100.2 of the Insurance Code is amended to read:



10100.2. (a) (1) Rates for the FAIR Plan shall not be excessive, inadequate, or unfairly discriminatory, and shall be actuarially sound so that premiums are adequate to cover expected losses, expenses and taxes, and shall reflect investment income of the plan. If the plan returns premiums to members annually, the rates shall not include any component relating to surplus enhancements.

(2) If the FAIR Plan policy of a property owner would be subject to a brush surcharge solely because of an adjacent property owner's failure to comply with applicable laws, ordinances, and regulations regarding brush clearance requirements, the surcharge shall instead be imposed on the policy of the adjacent property owner if the adjacent property is also insured through the FAIR Plan.

(b) Rates for a policy of earthquake property insurance issued by the association shall be established based on the best available scientific information for assessing the risk of earthquake loss. Factors that the association shall consider in adopting rates include, but are not limited to, the following:

(1) Location of the insured property and its proximity to earthquake faults and to other geological factors affecting the risk of earthquake.

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

(3) Construction type of the insured dwelling.

(4) The presence of earthquake hazard reduction factors as defined in Section 10089.2.

(c) Notwithstanding Section 10097, all information considered by the association in establishing rates shall be public records.

(d) The classification system established by the association for policies of earthquake property insurance shall not be adjusted or tempered in any manner to provide rates lower than are justified for classifications presenting a high risk of loss, or higher than are justified for classifications presenting a low risk of loss.



Approved _____, 2000

Governor

i

