



**TO:** Registered FAIR Plan Brokers

**FROM:** California FAIR Plan

**DATE:** March 12, 2020

**SUBJECT: HIGHER COVERAGE LIMITS FOR DWELLING POLICIES**

We are pleased to announce that the maximum combined limit for all coverages under the Dwelling Fire policy is being increased from \$1.5 Million to \$3 Million. These higher limits will be available for all new business and renewal policies with an effective date of June 15, 2020 or later.

### **Underwriting Requirements**

Submissions for properties with combined coverage limits over \$1,500,000 (both new business applications and endorsement requests) will require the following information:

1. Current pictures of the property, including pictures of the roof
2. A copy of a replacement cost estimate for the property.
  - The requested Coverage A- Dwelling limit must be at least 100% of the replacement cost estimate provided.
  - While we require a replacement cost estimate, we will accept an estimate prepared using any proprietary or commercially available estimating software, a contractor's estimate, an appraisal or other current documentation showing a professional's opinion of the cost of rebuilding the dwelling in the event of a total loss.
  - We will issue or endorse a policy with the limits requested, provided the Coverage A is at least equal to the replacement cost estimate you provide us. We cannot guarantee the accuracy of any estimate or the adequacy of any limit.

All submissions for properties with these higher limits will require underwriting review.

### **Inflation Guard**

The increase in available total limits for policies renewing effective June 15, 2020 or later will impact the application of Inflation Guard coverage at renewal as follows:

- Policies with Inflation Guard coverage set to have total limits increase over \$1,500,000 at renewal:
  1. We will send the broker and customer a letter prior to renewal requesting pictures of the property and a replacement cost estimate to meet the underwriting requirements for these coverage limits.
  2. If that information is received, we will confirm that the condition of the property meets current underwriting guidelines and Coverage A is equal to or greater than the replacement cost estimate provided.
  3. If no reply is received to the letter within 20 days, the policy will be renewed at the current coverage limits and Inflation Guard coverage (as well as Dwelling Replacement Cost coverage, if included on the policy), will be

deleted at renewal. Note: Inflation Guard coverage is mandatory for policies with Dwelling Replacement Cost coverage.

- Policies currently at \$1,500,000 in total combined coverage limits.
  1. We will send the broker and customer a letter prior to renewal offering the option to add inflation guard to the policy and have the coverage limits increased above \$1,500,000 at renewal. The letter will request pictures of the property and a replacement cost estimate to meet the underwriting requirements for these coverage limits.
  2. If that information is received, we will confirm that the condition of the property meets current underwriting guidelines and Coverage A is equal to or greater than the replacement cost estimate provided.
  3. If no reply is received to the letter within 20 days, the policy will be renewed at the current coverage limits and Inflation Guard coverage will remain as not included on the policy. In addition, Dwelling Replacement Cost coverage, if included on the policy, will be deleted at renewal. Note: Inflation Guard coverage is mandatory for policies with Dwelling Replacement Cost coverage.

We will begin sending these letters on March 16, 2020 for policies renewing effective June 15, 2020 or later.

We understand that many of you have found it necessary to place higher value properties with the FAIR Plan. These higher limits are being made available in response to current market needs. We want to make it easier for brokers to obtain adequate coverage for their clients, including the securing of a policy with the FAIR Plan after a diligent search of the standard market has been conducted.

**Please share this information with your clients and with everyone in your office who handles FAIR Plan business.**