

California - GL State-Specific Filing Requirements 2024

InsurRateX Commercial Lines - California Compliance Document

California Department of Insurance Filing Reference: CDI-CGL-2024-003

Effective: January 1, 2024

CALIFORNIA-SPECIFIC REQUIREMENTS:

All GL policies issued in California must comply with:

- California Insurance Code Section 675.5 (cancellation/non-renewal)
- Proposition 103 (prior approval rate filing)
- Fair Claims Settlement Practices Regulations (10 CCR 2695)
- Senate Bill 1424 (AI disclosure for automated underwriting)

CALIFORNIA RATING MODIFICATIONS

Territory Factor: 1.35 (highest in the nation)

Reason for California surcharge:

- High jury verdict environment (nuclear verdicts common)
- PAGA claims exposure (Private Attorneys General Act)
- High cost of living inflates bodily injury settlements
- Wildfire smoke/air quality liability claims increasing
- Strict premises liability standards under Civil Code 1714

COASTAL CALIFORNIA ADDITIONAL SURCHARGE:

Properties within 5 miles of Pacific Coast: add 15% to base rate

Properties in San Francisco Bay Area: add 10% loading

Los Angeles metro (within 405/101/605/10 freeway loop): add 8%

CALIFORNIA MANDATORY COVERAGES

The following coverages are mandatory for all CA GL policies:

1. UNINSURED MOTORIST (if auto exposure included): min \$15,000/\$30,000
2. SEXUAL ABUSE / MOLESTATION: cannot be excluded for care providers
(California Education Code 44807 / Insurance Code 11590)
3. EMPLOYMENT PRACTICES: EPL coverage recommended (not mandatory)
Note: California DFEH actively enforces employment discrimination

PROHIBITED EXCLUSIONS IN CALIFORNIA:

- Cannot exclude coverage for punitive damages in most circumstances
- Cannot exclude pollution for sudden and accidental events
- Cannot use 'expected or intended' exclusion beyond standard ISO form
- Cannot exclude defense costs for frivolous claims

CANCELLATION AND NON-RENEWAL REQUIREMENTS

CANCELLATION (California Insurance Code 677.2):

Within first 60 days: 20 days notice for any reason

After 60 days: 45 days notice, reason must be one of:

- Non-payment of premium
- Fraud or material misrepresentation
- Substantial increase in hazard
- Loss of reinsurance

NON-RENEWAL (California Insurance Code 678):

45 days advance written notice required

Must state specific reason for non-renewal

Cannot non-renew solely based on: filing a claim, credit score,
geographic area, or protected class characteristics

NOTICE METHOD: Must be sent by first-class mail or delivered personally.

CALIFORNIA LOSS COST MULTIPLIERS 2024

Class Code CA Loss Cost Multiplier Notes

41650	1.42	Restaurants
41651	1.65	Restaurants w/alcohol - PAGA risk
91340	1.55	General contractors
91342	1.60	Electrical contractors
18911	1.35	Retail stores
61226	1.20	Office operations
46202	1.38	Wholesale

These multipliers are applied ON TOP of the territory factor of 1.35.

Combined factor example: Restaurant w/alcohol = $1.35 \times 1.65 = 2.228$

California requires filed rates - deviations require prior approval.