

**PROGRAM DIVISION  
BULLETIN**

2003-03

January 24, 2003

**CALIFORNIA CIGA SURCHARGE**

Effective January 1, 2003 California has increased the CIGA surcharge to 2%.

It applies to the following lines of business: Commercial fire and allied lines, commercial auto if part of a multi-line package, commercial multi-peril including liability and products, earthquake, aircraft, inland marine, environmental and pollution liability, burglary and theft, boiler and machinery and professional liability including medical.

Below is an excerpt from the Compliance Review with an explanation.

***CALIFORNIA: Residential and Commercial Property and Casualty; Private Passenger and Commercial Motor Vehicle; Environmental Liability; Products Liability Professional Liability and Medical Professional Liability; Workers' Compensation; Inland Marine; Solvency***  
**California Governor Davis Approves Legislation to Safeguard Solvency of Guaranty Fund; Maximum Assessment Limit on All Lines Increased to 2%**

California Governor Gray Davis has signed Assembly Bill 2007 into law, amending the assessment provisions of the California Insurance Guaranty Association (CIGA), effective January 1, 2003. Assembly Bill 2007 is intended to ensure the continued solvency of CIGA, particularly as regards receipt of workers' compensation benefits by injured workers. The bill will extend the 2% maximum assessment cap on all business lines covered by the Association through December 31, 2007. Under current law the 2% maximum automatically terminates on September 12, 2002, pursuant to 2001 Assembly Bill 1183. The bill amends the California Insurance Code, as follows:

**§1063, Establishment, Membership, and Management, Plan of Operation, Designated Servicing Facility; Intervention:**

- The Guaranty Association membership of the Board of Governors is revised to include four (4) additional member insurers, bringing the total to nine (9) insurance companies.

**§1063.5, Premium Assessments:**

- The provisions establishing the maximum premium assessment rate charged to member insurers of 2% until September 12, 2002, are revised to establish a maximum premium assessment rate of 2% per year until December 31, 2007; and
- A premium assessment limit of 1% per year after December 31, 2007 is established.

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**LEXINGTON INSURANCE COMPANY**

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phone 617-330-1100 / fax 617-330-8595

This is applicable to Admitted Business only.

It is in the Coverall Rating system. If you use a standalone system you will need to program the changes.

A copy of the notice to policyholders is attached separately for your use as this notice **MUST** accompany the policy.

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# **IMPORTANT NOTICE TO OUR CUSTOMERS**

## **CALIFORNIA INSURANCE GUARANTEE ASSOCIATION**

In accordance with Section 1063.145, the following statement applies:

Companies writing property and casualty business in California are required to participate in the California Insurance Guarantee Association. If a company becomes insolvent the California Insurance Guarantee Association settles unpaid claims and assesses each insurance company for its fair share.

California law requires all companies to surcharge policies to recover these assessments. The California Insurance Guarantee Association surcharge for your policy is:

\$

This surcharge is also included in the total amount displayed for "Surcharge" on the Declarations Page of this policy.