

**PROGRAM DIVISION  
BULLETIN**

2003-34

October 8, 2003

**CALIFORNIA CIGA SURCHARGE**

Effective January 1, 2004 California will no longer have a policy level assessment for commercial lines (other than Workers' Compensation).

The 2% assessment on Workers' Compensation policies will remain.

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 Insurance Guaranty Association: No Homeowners' and Motor Vehicle Account or "All Other" Account Premium Charges for 2003; Workers' Compensation Account Remains Subject to Assessment in 2003**

The California Insurance Guaranty Association (CIGA) has advised insurers as follows:

- In accordance with CIGA's Plan of Operation, there will be no homeowners' and motor vehicle account or "all other" account category premium charges for 2003. Therefore, member companies should not surcharge policies written in the homeowners' and motor vehicle or the "all other" account categories with effective dates of January 1, 2004 through December 31, 2004.
- ◆ The account for "all other" lines had been subject to a 2% assessment in 2002 and insurers have been authorized to surcharge policies with effective dates of January 1, 2003 to December 31, 2003. However, effective January 1, 2004, all policy level surcharges are to be removed from policies covering the following lines of business:
  - ASL: 1 (fire); 2.1 (allied lines); 2.2 (multiple peril crop); 3 (farmowners' multi-peril); 5.1 (commercial multi-peril); 5.2 (commercial multi-peril, non-liability portion); 9 (inland marine); 11 (medical malpractice); 12 (earthquake); 17 (other liability); 18 (products liability); 22 (aircraft); 26 (burglary); 27 (boiler); 33 (aggregate write-ins, other casualty).

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- ◆ The homeowners' and private passenger and commercial motor vehicle (monoline) account has not been subject to assessment thus far. Therefore, insurers need not take any action with regard to these types of policies.
- CIGA previously made the 2003 workers' compensation premium charge to its member companies. Insurers are reminded that they should surcharge workers' compensation policies with effective dates of January 1, 2004 through December 31, 2004 at the rate of 2%.

All insurance companies authorized to write property and casualty business in California are required to participate in the CIGA as a condition of conducting business in the state. In the event of company insolvency, CIGA will settle unpaid claims and assess member insurers their share of these settlement costs. Pursuant to Insurance Code §1063.5, Premium Assessments, CIGA claim costs are to be allocated to one or more of the following internal accounts: (1) workers' compensation; (2) homeowners' and private passenger and commercial motor vehicle (monoline policies only), which includes material damage, medical payments, uninsured motorist and all associated liability claims; and (3) the account for all other lines.

- Insurers are required to recover Guaranty Association assessments as a policy level surcharge, pursuant to §1063.145, Statement of Surcharge. The recoupment must be effective for the entire billing life of the policy, and the surcharge must be clearly identified as a CIGA-related charge, either on the policy declarations page, or on a separate billing statement or endorsement.

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.

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