

## [New Regulations for Replacement Cost Estimating in Homeowners' Insurance approved by California Office of Administrative Law](#)

Posted on January 7, 2011 by [Marina Karvelas](#)

On December 29, 2010, the [Office of Administrative Law](#) ("OAL") approved California Insurance Commissioner Poizner's new regulations setting forth "[Standards and Training for Estimating Replacement Value on Homeowners' Insurance](#)." The regulations take effect on June 27, 2011.

As discussed earlier in this blog [here](#), the regulations encompass significant new obligations on producers and insurers:

- Require all California resident fire and casualty broker-agents and personal lines broker-agents, who have not already done so, to satisfactorily complete one three-hour training course on homeowners' insurance valuation prior to estimating the replacement value of structures in connection with, or explaining the various levels of coverage under, a homeowners' insurance policy;
- Require insurers, agents and brokers that provide replacement cost estimates to applicants and insureds to document who created the estimate and the sources or methods used to create the replacement cost estimate; and
- Require that all replacement cost estimates communicated to applicants or insureds be complete, based upon specifically enumerated standards set forth in the regulations. [[CDI 12/31/2010 Press Release](#)]

The [final regulations](#), as adopted by the OAL, address some of the criticisms from industry opponents.

For example, Section 2695.183(e) was amended to remove any reference to setting or recommending a policy limit. The Commissioner's [Final Statement of Reasons](#) explains that the language was removed in response to comments that it "could be interpreted as establishing an obligation on the part of licensees to set or recommend policy limits, which is not the intent of the regulations."

Issues concerning whether the new regulations exceed the authority of the enabling statute remain and may be the subject of litigation down the road.