

CALIFORNIA DEPARTMENT OF INSURANCE  
Legal Division  
Enforcement Bureau  
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BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA

In the Matter of California FAIR Plan  
Association,

Respondent

File No.: DISP-2025-00281

OAH No. Pending

ORDER TO SHOW CAUSE, NOTICE OF  
HEARING, NOTICE OF MONETARY  
PENALTY, AND ORDER TO CEASE AND  
DESIST  
(Insurance Code Sections 700, 790.03,  
790.035, and 790.05)

STATEMENT OF CHARGES/  
ACCUSATION  
(Insurance Code Sections 700(c), 700(d),  
790.02, 790.03)

Date: On a date to be set.

Time:

Place: Office of Administrative Hearings, Los  
Angeles, CA

**ORDER TO SHOW CAUSE**

**JURISDICTION**

WHEREAS, the Insurance Commissioner of the State of California ("Commissioner") has  
reason to believe that the California Fair Plan Association ("Respondent" or "CFP") has engaged

1 in or is engaging in this State in unfair methods of competition or unfair or deceptive acts or  
2 practices, and other unlawful acts set forth in the STATEMENT OF SPECIFIC  
3 CHARGES/ACCUSATION contained herein in violation of sections 790 et seq. of the California  
4 Insurance Code (“CIC”) and the Fair Claims Settlement Practices Regulations of Title 10,  
5 Chapter 5, California Code of Regulations (“CCR”); and  
6

7 WHEREAS, the Commissioner has reason to believe that a proceeding with respect to the  
8 alleged acts of the Respondent would be in the public interest;

9 NOW, THEREFORE, and pursuant to the provisions of CIC section 790.05, Respondent  
10 is ordered to appear at the time, date and location to be determined by the Office of  
11 Administrative Hearings, and show cause, if any cause there be, why the Commissioner should  
12 not issue an Order requiring Respondent, to cease and desist from engaging in the methods, acts,  
13 and practices set forth in the STATEMENT OF SPECIFIC CHARGES/ACCUSATION  
14 contained herein, and imposing the penalties set forth in CIC section 790.035 and other Insurance  
15 Code sections as requested herein.  
16

#### 17 GENERAL STATEMENT AND BACKGROUND

18 1. CFP is a private association comprised of all admitted California property insurers.  
19 CFP, established by the Governor and Legislature in 1968, through CIC sections 10090 *et seq.*, was  
20 formulated as a source for property insurance including fire insurance to homeowners and business  
21 owners who have been unable to secure such insurance in the normal insurance market. By statute,  
22 all admitted California insurers writing basic property insurance must participate in CFP. CFP  
23 directs and controls the investigation, adjustment, defense, and payment of losses and claims arising  
24 under the policies it issues.  
25

26 2. California Insurance Code sections 2070 and 2071 require all issued fire insurance  
27 policies to conform to a standard form fire insurance policy (the “Standard Form”) and permits  
28

1 variation only in instances where the non-conforming policy form provides coverage that “when  
2 viewed in its entirety” is “substantially equivalent to or more favorable to the insured” than that  
3 contained in the Standard Form.

4 3. The Standard Form provides coverage for “all LOSS BY FIRE” to the insured  
5 property without restrictions or limitations on covered losses including smoke damage.  
6

7 4. In October 2016, CFP submitted form filing number 16-6646 to the Department  
8 requesting various revisions to its dwelling fire policy. Among other changes, CFP inserted in its  
9 “Perils Insured Against” section additional language (in bold) to define “direct physical loss”:

10 Unless the loss is excluded in the General Exclusions, or  
11 below, we insure for “**direct physical loss**”, which is  
12 **defined as any actual loss or physical damage, evidenced**  
13 **by permanent physical changes** to the covered property  
caused by...SMOKE DAMAGE.

14 (For purposes of this pleading, the bolded portion of the above quote will be referred to as “violative  
15 language.”)

16 In its filing memo supporting the form filing, CFP stated, under oath, to the Department that the  
17 proposed revisions in the form filing, including the “direct physical loss” definition, “will either  
18 provide no change in coverage or provide some broadening of coverage.”<sup>1</sup> The Department  
19 thereafter approved the form filing on January 25, 2017, based in large part, on CFP’s  
20 representation. CFP started issuing fire policy form and amendatory endorsement on smoke damage  
21 with the revisions (CFP 00 01E) (“Policy Form 0001E”) to California homeowners shortly in or  
22 about July 2017.

23 5. On April 25, 2017, three months after receiving approval and unbeknownst to the  
24 Department, CFP distributed a notice to its brokers that a revised Dwelling Fire policy would be  
25 introduced effective July 1, 2017. The notice attached a document titled “Important Notice  
26  
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<sup>1</sup> Reference CDI File No. 16-6646/SERFF File No. PERR-130771937

1 Regarding Changes to Your Dwelling Policy Reduction of Limits/Elimination of Coverage,” which  
2 CFP stated would be sent to all Dwelling renewals for one year. The Notice to policyholders stated,  
3 in relevant part, “[d]irect physical loss has been newly defined...to require permanent physical  
4 changes to covered property.” Contrary to the representations CFP had made to the Department  
5 that the policy changes “will either provide no change in coverage or provide some broadening of  
6 coverage,” the Notice stated: “This limitation on what is considered direct physical loss will result  
7 in denial of claims that might have been paid under prior policy wording.”  
8

9         6. In or about January 2021, the Department became aware CFP may have relied on  
10 the violative language to limit or deny fire and/or smoke damage claims. In response, the  
11 Department’s general counsel issued a cease and desist letter dated January 4, 2021, advising CFP  
12 against interpreting the violative language as requiring permanent physical changes to the covered  
13 property (“permanent physical damage requirement”) to process fire claims. The Department  
14 specifically informed CFP that “[a]ny attempt by [CFP] to reduce or limit coverage for smoke  
15 damage based on its definition of direct physical damage to require ‘permanent physical changes’  
16 to covered property is contrary to the law.”  
17

18         7. Shortly thereafter, in March 2021, the Department launched a targeted exam  
19 covering the claim handling practices of CFP’s homeowners/dwelling fire claims closed during the  
20 period from January 1, 2017 through March 18, 2021. In a random sample of 259 claims, the exam  
21 identified, among others, 118 violations stemming from CFP’s reliance on the permanent physical  
22 damage requirement to limit or deny claims. Overall, the exam cited a total of 418 violations of  
23 California Unfair Practices Act and Fair Claims Settlement Practices Regulations against CFP.<sup>2</sup>  
24

25         8. As a result of persistent concerns about CFP’s operational factors, including the  
26 need for greater coverage limits for homes and businesses, the need for increased personnel and  
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28 <sup>2</sup> See Department’s Targeted Market Conduct Exam of California FAIR Plan Association, Adopted on May 25, 2022.

resources, the handling of smoke damage claims, and interpretation of underwriting guidelines, the Department convened an investigatory hearing on July 13, 2022 to gather evidence and ascertain facts regarding operation, policies, and procedures.<sup>3</sup> In light of the information it gathered from the hearing, the Department worked with CFP to solve its operational shortcomings. In the period that followed, greater coverage limits were approved and implemented, more personnel were hired, and improvements to underwriting guidelines were made. However, coverage for smoke damage claims remained a disputed issue, in addition to other on-going major operational concerns.

9. After wildfire activities in January 2025 ravaged several Southern California communities, the most destructive being the Palisades and the Eaton fires, the Department received at least 220 smoke damage or related consumer complaints against CFP, similarly alleging denial or limited coverage of smoke damage claims. A representative sample of the consumer complaints are described below under Statement of Specific Charges/Accusation.

10. In view of the rising number of consumer complaints and decisional law interpreting the phrase “direct physical loss or damage” or similar in the context of smoke damage, on March 7, 2025, the Department issued Bulletin 2025-7 to all insurers, including CFP, reiterating the Department’s long-standing position and reminding insurers that smoke damage claims are to be fully and fairly investigated and handled consistent with all statutory requirements and applicable law, and that insurers should not summarily deny smoke claims without conducting a reasonable investigation.

11. Following these extraordinary events, on May 8, 2025, the Department’s general counsel sent another letter to CFP directing CFP to cease its unlawful act or practice of applying the violative language to deny smoke damage claims as well as other unlawful acts or practices. The Department advised CFP its violative language is void and unenforceable because it does not

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<sup>3</sup> See <https://www.insurance.ca.gov/01-consumers/200-wrr/California-FAIR-Plan.cfm>

1 provide the minimum level of coverage mandated by California law and that it “must reasonably  
2 and fairly investigate and adjust claims, rather than rely on the impermissibly restrictive and  
3 unenforceable policy language.”

4 12. On or about May 22, 2025, CFP responded to the Department that it is handling  
5 claims for smoke damage in a manner that is consistent with California law and Bulletin 2025-7.  
6 Nevertheless, the Department has continued to receive consumer complaints indicating CFP does  
7 not adjust claims consistent with California law and applies an impermissible definition of direct  
8 physical loss which requires permanent physical change.  
9

10 13. The Department is informed and believes, and on that basis alleges that since Form  
11 0001E went into effect shortly in or about July 2017, Respondent has directed its claims staff to  
12 apply the permanent physical damage requirement to unlawfully adjust smoke damage claims.  
13

14 14. The Commissioner, in his official capacity, now alleges that the Respondent has  
15 violated provisions of the California Insurance Code and the Fair Claims Settlement Practices  
16 Regulations.

17 15. The practices, acts and violations determined in the 220 consumer complaints<sup>4</sup>  
18 reviewed and the pattern and frequency of such practices, acts and violation represented by the  
19 consumer complaints set forth below, indicate Respondent knowingly committed on a single  
20 occasion or performed with such frequency as to indicate a general business practice of unfair  
21 claims settlement practices in violation of provisions of CIC section 790.03, including the  
22 following subdivisions:  
23

24 (a) Making or causing to be made statement misrepresenting the terms of any policy  
25 issued or the benefits promised thereby;  
26  
27

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28 <sup>4</sup> The actual number of improperly denied or partially denied smoke damage claims is unknown at this time and will be proven at hearing.

1 (b) Making, before the public in this state, any statement that is untrue, deceptive, or  
2 misleading and which is known or should have known to be untrue, deceptive or  
3 misleading;

4 (h)(1) Misrepresenting pertinent facts or insurance policy provisions relating to coverages,  
5 including denying claims based on such misrepresentations;

6 (h)(3) Failing to adopt and implement reasonable standards for the prompt investigation  
7 and processing of claims;

8 (h)(5) Not attempting in good faith to effectuate prompt, fair and equitable settlement of  
9 claims in which liability has become reasonably clear; and

10 (h)(13) Failing to provide promptly a reasonable explanation of the basis relied on in the  
11 insurance policy, in relation to the facts or applicable law, for the denial of a claim or for  
12 the offer of a compromised settlement.

13  
14  
15 16. Furthermore, the Department believes and thereby alleges that Respondent's acts or  
16 practices described herein demonstrate a failure to conduct and diligently pursue a thorough, fair  
17 and objective investigation of a claim required by CCR section 2695.7(d).

18 **STATEMENT OF SPECIFIC CHARGES/ACCUSATION**

19 **Representative Sample of Consumer Complaints**

20 **The Palisades Fire**

21 *Insured #1 (CFP Claim No. D2500690)*

22  
23 17. Insured #1 filed a complaint with the Department requesting assistance for her  
24 smoke damage claim; she alleged CFP denied her smoke/burn damage to her home after a large  
25 number of surrounding homes were destroyed by the wildfire.

26 18. CFP denied the claim on the ground that it did not identify "any permanent damage  
27 to the interior" despite the presence of "smoke odor throughout [the] dwelling."  
28

1           19.     CFP's enforcement of permanent physical damage requirement to deny the smoke  
2 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
3 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.

4           20.     CFP's statement to the insured and the Department that Policy Form 0001E  
5 required permanent physical damage for smoke damage to be covered is untrue and a  
6 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
7 violates subdivisions (a) and (b) of CIC section 790.03.

8  
9 *Insured #2 (CFP Claim No. D2502813)*

10           21.     Insured #2 filed a complaint with the Department requesting assistance for his  
11 smoke damage claim; he alleged CFP denied his claim despite his home being in the wildfire zone  
12 with a window blown open and visible ash and detectable smoke odor throughout his house.

13           22.     CFP denied the smoke damage claim on the ground that its inspector did not  
14 identify "any permanent damage to [the] dwelling."

15           23.     CFP's enforcement of permanent physical damage requirement to deny the smoke  
16 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
17 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.

18           24.     CFP's statement to the insured and the Department that Policy Form 0001E  
19 required permanent physical damage for smoke damage to be covered is untrue and a  
20 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
21 violates subdivisions (a) and (b) of CIC section 790.03.

22  
23 *Insured #3. (CFP Claim No. D2502079)*

24           25.     Insured #3 filed a complaint with the Department requesting assistance for his  
25 smoke damage claim. Insured #3 alleged CFP denied his claim despite the fact his home was  
26 damaged and rendered uninhabitable by the wind-driven smoke from the wildfire. Insured #3  
27  
28



1 further alleged, in essence, CFP failed to conduct a thorough investigation and he had to pay out  
2 of pocket for inspection to account for all the damages.

3 26. CFP denied the smoke damage claim on the ground that it did not identify “any  
4 permanent damage to [the] dwelling” defined as “permanent physical changes to covered property  
5 that cannot be cleaned or did not respond to cleaning efforts resulting in permanent physical  
6 damage.”  
7

8 27. CFP’s enforcement of permanent physical damage requirement to deny the smoke  
9 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
10 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.

11 28. CFP’s failure to conduct a reasonable inspection of the smoke damaged home  
12 violates the investigative standard set forth in CCR section 2695.7(d) and constitutes a violation  
13 of subdivision (h)(3) of CIC section 790.03.  
14

15 29. CFP’s statement to the insured and the Department that Policy Form 0001E  
16 required permanent physical damage for smoke damage to be covered is untrue and a  
17 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
18 violates subdivisions (a) and (b) of CIC section 790.03.  
19

20 *Insured #4 (CFP Claim Nos. 2506622 & 2507820)*

21 30. Insured #4 filed a complaint with the Department requesting assistance for her  
22 dwelling claims; she alleged the wildfire,

23 incinerated 3 homes behind mine with 70-100 mph winds  
24 blowing soot, ash, and toxins directly at my house and attic  
25 and crawl space vents. The nearest home is approximately  
26 50 feet away. My fences burned, an 8-ft decorative wooden  
27 gate burned, vegetation burned, debris from burned houses  
28 blew into the yard, and substantial sections of my roof came  
off and were scattered about the property

1 After the City of Los Angeles allowed residents to visit their home several weeks later, Insured #4  
2 found her home to be so filled with noxious fumes that she could only stay long enough to take  
3 photos even while wearing an N95 mask. Insured #4 further alleged CFP's field inspector  
4 conducted a cursory inspection of her home, took no notes, and told her to clean her home with  
5 "mop, broom, and vacuum."  
6

7 31. CFP denied the smoke damage portion of the claim on the ground that there was  
8 no direct physical loss because there was no evidence of permanent physical change to the  
9 covered property.

10 32. CFP's enforcement of permanent physical damage requirement to deny the smoke  
11 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
12 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.  
13

14 33. CFP's failure to conduct a reasonable inspection of the smoke damaged home  
15 violates the investigative standard set forth in CCR section 2695.7(d) and constitutes a violation  
16 of subdivision (h)(3) of CIC section 790.03.

17 34. CFP's statement to the insured and the Department that Policy Form 0001E  
18 required permanent physical damage for smoke damage to be covered is untrue and a  
19 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
20 violates subdivisions (a) and (b) of CIC section 790.03.  
21

22 *Insured #5 (CFP Claim No. 2503626)*

23 35. Insured #5 filed a complaint with the Department seeking assistance for his condo  
24 claim; he alleged CFP denied his claim on the basis that it did not cover smoke remediation and  
25 that the cost of damage, not including smoke remediation, was below his deductible.

26 36. CFP declined to fully cover Insured #5's smoke damage claim because there was  
27 no physical damage even though "smoke smell" was present. To remediate the smoke damage,  
28

1 CFP instructed Insured #5 to clean and deodorize his home, presumably at his own expense, and  
2 to contact CFP if “residual smoke odor remain” or if “there’s damage.”

3 37. CFP’s enforcement of permanent physical damage requirement to deny the smoke  
4 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
5 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.  
6

7 38. CFP’s statement to the insured and the Department that Policy Form 0001E  
8 required permanent physical damage for smoke damage to be covered is untrue and a  
9 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
10 violates subdivisions (a) and (b) of CIC section 790.03.  
11

12 *Insured #6 (CFP Claim No. D2506550)*

13 39. Insured #6 filed a complaint with the Department seeking assistance for her  
14 dwelling claim; she alleged her home was damaged by fire debris, soot, and smoke on both  
15 interior and exterior of her home. Insured #6 further described the smoke/ash damage as severe  
16 because her house was 20 yards away from a neighbor’s home that had sustained a 20%-50%  
17 burn. Insured #6 further contended that due to her husband’s respiratory condition, when they  
18 were allowed to return to home, she took immediate steps to clean and had been working at  
19 cleaning the house for two weeks when CFP’s field inspector inspected her home for damages  
20 and she shared detailed accounts of what had been done and what needed to be done.  
21

22 40. CFP denied the smoke damage claim on the ground that “deposits of soot, ash and  
23 the like that can be remedied by cleaning do not constitute ‘direct physical loss’” since it did not  
24 result in permanent physical changes.

25 41. CFP’s enforcement of permanent physical damage requirement to deny the smoke  
26 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
27 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.  
28

1           42.     CFP's statement to the insured and the Department that Policy Form 0001E  
2 required permanent physical damage for smoke damage to be covered is untrue and a  
3 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
4 violates subdivisions (a) and (b) of CIC section 790.03.

5  
6     The Eaton Fire

7     *Insured #7 (CFP Claim No. D2504142)*

8           43.     Insured #7 filed a complaint with the Department seeking assistance for her smoke  
9 damage claim. Insured #7 alleged CFP refused to cover professional smoke remediation services  
10 that would have been necessary to clean the soot, ash, and char that permeated her home.

11           44.     CFP denied the smoke damage claim on the ground that there was no permanent  
12 physical damage.

13           45.     CFP's enforcement of permanent physical damage requirement to deny the smoke  
14 damage claim provided less coverage than that available under the Standard Form, and therefore,  
15 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.

16           46.     CFP's statement to the insured and the Department that Policy Form 0001E  
17 required permanent physical damage for smoke damage to be covered is untrue and a  
18 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
19 violates subdivisions (a) and (b) of CIC section 790.03.

20  
21  
22     *Insured #8 (CFP Claim No. D2500700)*

23           47.     Insured #8 filed a complaint with the Department seeking assistance for his smoke  
24 damage claim. Insured #8 alleged his home has been heavily impacted by smoke and ash and he  
25 and his family experienced respiratory symptoms but CFP denied them housing because it  
26 deemed the home "habitable."

27           48.     Despite noting the insured's entire home was impacted by soot and smoke, CFP  
28

1 declined to fully cover the smoke damage claim on the ground that there was no permanent  
2 physical damage.

3 49. CFP's enforcement of permanent physical damage requirement to deny the smoke  
4 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
5 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.  
6

7 50. CFP's statement to the insured and the Department that Policy Form 0001E  
8 required permanent physical damage for smoke damage to be covered is untrue and a  
9 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
10 violates subdivisions (a) and (b) of CIC section 790.03.  
11

12 *Insured #9 (CFP Claim No. D2502727)*

13 51. Insured #9 filed a complaint with the Department seeking assistance for her smoke  
14 damage claim. Insured #9 alleged her home was full of ash and smoke as it stood 300 yards from  
15 where the Eaton Fire started. Insured #9 further alleged that aside from air filters, CFP refused to  
16 cover remediation services that would have been necessary to restore her home.

17 52. CFP declined to fully cover the smoke damage claim on the ground that the policy  
18 covers smoke damage only if there is direct physical loss, defined as permanent physical changes.  
19

20 53. CFP's enforcement of permanent physical damage requirement to deny the smoke  
21 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
22 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.

23 54. CFP's statement to the insured and the Department that Policy Form 0001E  
24 required permanent physical damage for smoke damage to be covered is untrue and a  
25 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
26 violates subdivisions (a) and (b) of CIC section 790.03.  
27

28 ///

1 *Insured #10 (CFP Claim No. D2504054)*

2 55. Insured #10 filed a complaint with the Department seeking assistance for her  
3 smoke damage claim. Insured #10 alleged his home sustained significant damage from the  
4 wildfire but CFP refused to cover comprehensive remediation services.

5 56. CFP declined to cover remediation services that would have been necessary to  
6 restore Insured #10's home on the ground that the smoke and ash did "not result in permanent  
7 physical damage."

8 57. CFP's enforcement of permanent physical damage requirement to deny the smoke  
9 damage claim provided less coverage than that afforded under the Standard Form, and therefore,  
10 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.

11 58. CFP's statement to the insured and the Department that Policy Form 0001E  
12 required permanent physical damage for smoke damage to be covered is untrue and a  
13 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
14 violates subdivisions (a) and (b) of CIC section 790.03.

15 *Insured #11 (CFP Claim No. D2505649)*

16 59. Insured #11 filed a complaint with the Department seeking assistance for his  
17 smoke damage claim. Insured #11 alleged, among other reasons, his house required extensive  
18 smoke remediation to be habitable and CFP declined to provide fair rental value compensation  
19 because it contended the smoke damage did not cause physical damage.

20 60. Despite noting soot throughout the interior rooms of the house and "heavy smell  
21 of smoke," CFP declined to cover remediation services that would have been necessary to restore  
22 Insured #11's home because there was no evidence of physical damage.

23 61. CFP's enforcement of permanent physical damage requirement to deny the smoke  
24 damage claim provided less coverage than that available under the Standard Form, and therefore,  
25

1 the denial violates subdivisions (h)(1), (h)(3), (h)(5), and (h)(13) of CIC section 790.03.

2 62. CFP's statement to the insured and the Department that Policy Form 0001E  
3 required permanent physical damage for smoke damage to be covered is untrue and a  
4 misrepresentation of insurance benefits entitled by the insured and therefore, the statement  
5 violates subdivisions (a) and (b) of CIC section 790.03.  
6

7 Department's Targeted Market Conduct Examination

8 63. As previously stated, the Department examined the claims practices of CFP and  
9 found 118 instances of smoke damage and related violations. A violation table containing the  
10 complete list of citations is attached as Exhibit A.

11 **RELIEF REQUESTED**

12 RESPONDENT IS NOTIFIED that the Department will set with the Office of  
13 Administrative Hearings a hearing pursuant to California Insurance Code section 790.05. If,  
14 at the conclusion of the hearing, the Commissioner finds that the facts as alleged above have  
15 occurred and that these facts constitute violations of the applicable sections of the Insurance  
16 Code and/or Code of Regulations, as set forth, he may issue an order for payment of money  
17 penalties and any other corrective action as he may deem appropriate.  
18

19 **PRAYER AND NOTICE OF MONETARY PENALTY**

20 Petitioner prays for judgment against RESPONDENT as follows:

- 21 1. Order to immediately CEASE and DESIST any acts or practices in violation of  
22 the Fair Claims Settlement Practices Regulations;  
23
- 24 2. Pursuant to California Insurance Code section 790.035, for unfair or deceptive  
25 acts in violation of Section 790.03 as set forth above in an amount to be fixed by the  
26 Commissioner not to exceed ten thousand dollars (\$10,000.00) for each unfair or deceptive act  
27 or practice found to be willful; and a penalty in an amount to be fixed by the Commissioner  
28

1 not to exceed five thousand dollars (\$5,000.00) for each unfair or deceptive act or practice  
2 found not to be willful.

3 3. The California Department of Insurance reserves the right to amend this Order to  
4 Show Cause, Statement of Specific Charges/Accusations, as new facts become available.  
5

6 Dated: July 31, 2025

7 CALIFORNIA DEPARTMENT OF INSURANCE

8  
9 BY Wen Chao

10 Wen Chao  
11 Attorney  
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# EXHIBIT A

## TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS

HOMEOWNERS / DWELLING FIRE	NUMBER OF VIOLATIONS
CIC §2070 [CIC §790.03(h)(3)] / [CIC §790.03(h)(5)]	59
CIC §2071 [CIC §790.03(h)(3)] / [CIC §790.03(h)(5)]	59
CCR §2695.7(c)(1) [CIC §790.03(h)(3)]	85
*CCR §2695.7(d) [CIC §790.03(h)(3)]	38
CCR §2695.7(b) [CIC §790.03(h)(4)] / CCR §2695.7(b)(1) [CIC §790.03(h)(13)] / CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	31
CIC §§2051 and 2051.5 / CCR §2695.9(f) [CIC §790.03(h)(3)] / [CIC §790.03(h)(5)] / CCR §2695.9(f)(1) [CIC §790.03(h)(5)]	27
CCR §2695.4(a) [CIC §790.03(h)(1)]	25
CCR §2695.7(h) [CIC §790.03(h)(5)]	21
CCR §2695.7(g) [CIC §790.03(h)(5)]	16
CIC §790.03(h)(15)	12
CCR §2695.9(d) [CIC §790.03(h)(3)]	7
CCR §2695.5(e)(2) / CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	6
CCR §2695.5(b) [CIC §790.03(h)(2)]	5
CCR §2695.7(d) [CIC §790.03(h)(3)]	5
CIC §790.03(h)(1)	4
CCR §2695.3(a) [CIC §790.03(h)(3)]	4
CCR §2695.7(q) [CIC §790.03(h)(3)]	4
CCR §2695.7(f) [CIC §790.03(h)(3)]	3
CIC §790.03(h)(5)	2
CIC §14046(b)(1) [CIC §790.03(h)(3)]	3
CIC §790.034(b)(1) [CIC §790.03(h)(3)]	2
<b>TOTAL</b>	<b>418</b>

\*Citation CCR §2695.7(d) includes four related specifically to smoke damage and the other citations were observed in the files reviewed without smoke damage.