



Wildfire Insurance Presentation

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Insurance at a Crossroads in California

- Growing climate change threats
- Historic inflation
- Several insurers stopped writing and non-renewing policyholders despite approval of multiple rate increases
- Accelerated FAIR Plan growth
- Fewer options and higher costs
- Outdated decades-old regulations



- Streamline and improve Department's rate application approval process
- Introduce new risk management tools in ratemaking – Catastrophe Modeling and Reinsurance Costs
- Insurer commitments to write more policies in wildfire distressed areas and reduce FAIR Plan policies
- Strengthen and Modernize FAIR Plan

Insurance
Commissioner's
Sustainable
Insurance
Strategy
(Announced September 2023)

Governor's
Executive Order
N-13-23
To Strengthen
Property
Insurance Market



Current Rate Review Process

By statute under Prop. 103, Department must approve rate applications within 180 days upon receipt

However, delays largely due to:

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Insurers not submitting all necessary and complete information needed to support rate application and justify rate need

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Intervenor delays

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Outdated technology to reconcile data between Department and insurers

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Department staff bandwidth and continued review of successive +6.9% rate increase requests from insurers

Department has been hiring additional staff and re-directing vacancies to meet needs, in addition to Complete Rate Application regulation, intervenor transparency reforms, and filing timing/process efficiencies



Introduction of Catastrophe Modeling

- Use of historical losses are not as accurate, and do not take parcel-level and community-wide mitigation efforts into account
- While majority of other states allow the use of private catastrophe models in ratemaking, California cannot introduce such use without meeting the public transparency requirements of Prop. 103.

California had to:

1

Develop regulations to allow the use of catastrophe models in ratemaking while meeting Prop. 103 mandate for public review and transparency in addition to recognizing proprietary material contained in such models

2

Develop the process for incorporating catastrophe models into actuarial formulas in insurer rate filings

3

Identify "Distressed Areas" that the Department expects insurers to commit to writing more policies in before allowing them to incorporate the use of catastrophe models in ratemaking



Reinsurance in Ratemaking

Sustainable Insurance Strategy



Goal is to increase insurance availability to Californians across state



Insurers paying more to manage growing natural climate disaster losses and need to accurately reflect growing costs of writing insurance in California



Insurers commit to writing more policies in distressed areas *before* allowing them to incorporate California-only reinsurance costs in ratemaking

What's Next for SIS?

- Catastrophe models are now being submitted for review – Verisk and Moody's are being reviewed now with more expected in months
- Insurance companies will need to submit complete rate applications
- Insurance Companies expected to have new policies available mid 2025





Disaster Preparedness

- Follow all evacuation orders from local authorities.
- If time allows, locate your insurance policy documents and upload them to the cloud using your mobile device.
- If time allows, make a photo or video inventory of your possessions. An inventory can be completed quickly and easily on your smart phone and safely stored in the Cloud.



Do You Have Enough Coverage?

- Up to **8 in 10** homeowners and renters are underinsured for their home and contents.
- Rebuilding cost is NOT home's selling price
- Actual Cash Value versus Replacement Cost
- Building code upgrades
- Construction costs SOAR after a disaster
- Ask for your wildfire risk score





Tips for Finding Insurance



If you get a nonrenewal notice, contact your insurer and ask if there are any specific actions you could take to mitigate your risk and retain your coverage.



In California your insurer must give a minimum of 75-days notice before your policy expires. If you think your nonrenewal was unfair, you may file a complaint with the California Department of Insurance.



You may try obtaining coverage in the “surplus lines” market. (Note, surplus lines insurers are not backed by the California Insurance Guarantee Association.)



California Fair Plan



Insurance of last resort and a temporary safety net. Made up of consortium of private insurers.

Coverage limitations—only provides coverage for damage caused by fire, lightning, and internal explosion

No coverage is provided for liability or coverage for other perils

Can add a difference in conditions or “wraparound” policy for more coverage



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