



Executive Order to Strengthen Property Insurance Market

Governor Gavin Newsom issued an [executive order](#) urging Insurance Commissioner Ricardo Lara to take swift action to address ongoing issues with the insurance market and expand coverage options for consumers, while maintaining strong consumer protections and keeping plans affordable.

This executive order requests that the Insurance Commissioner take swift regulatory action to strengthen and stabilize California's marketplace, with the following goals:

1. **EXPAND CHOICES, STABILIZE MARKET.** Expand coverage choices for consumers, particularly in underserved areas of the state. Maintain the long-term availability of homeowners and commercial property insurance coverage.
2. **BETTER RATE APPROVAL PROCESS.** Improve the efficiency, speed, and transparency of the rate approval process. Tailor the rate approval process to account for all factors necessary to promote a robust, competitive insurance marketplace.
3. **STRONGER FAIR PLAN.** Maintain the solvency of the [FAIR Plan](#) to protect its policyholders and promote long term resiliency in the face of climate change, including by identifying mechanisms to reduce its share of the overall market in underserved areas and move its customers into the admitted insurance market.
4. **ACCELERATE IMPLEMENTATION.** Direct the Department of Finance to consult with the California Department of Insurance (Department) to support the rulemaking process and help accelerate implementation of potential regulations.

In response to the executive order, Insurance Commissioner Ricardo Lara announced a package of executive actions aimed at improving insurance choices and protecting Californians from increasing climate threats while addressing the long term sustainability of the nation's largest insurance market.

Key regulatory elements of the plan include:

- Executive action by Commissioner Lara to transition homeowners and businesses from the FAIR Plan back into the traditional insurance market with commitments from insurance companies to cover all parts of California by writing

no less than 85% of their statewide market share in high wildfire risk communities. For example, if a company writes 20 out of 100 homes statewide, it must write 17 out of 100 homes in a distressed area;

- Giving FAIR Plan policyholders who comply with the new 'Safer from Wildfires' regulation first priority for transition to the normal market, thus enhancing the state's overall wildfire safety efforts;
- Expediting the Department's introduction of new rules for the review of climate catastrophe models that recognize the benefits of wildfire safety and mitigation actions at the state, local, and parcel levels;
- Directing the FAIR Plan to further expand commercial coverage to \$20 million per building to close insurance gaps for homeowners associations and condominium developments to help meet the state's housing goals and to provide required coverage to other large businesses in the state;
- Holding public meetings exploring incorporating California-only reinsurance costs into rate filings;
- Improving rate filing procedures and timelines by enforcing the requirement for insurance companies to submit a complete rate filing, hiring additional Department staff to review rate applications and inform regulatory changes, and enacting intervener reform to increase transparency and public participation in the process;
- Increasing data reporting by the FAIR Plan to the Department, Legislature, and Governor to monitor progress toward reducing its policyholders; and,
- Ordering changes to the FAIR Plan to prevent it from going bankrupt in the case of an extraordinary catastrophic event, including building its reserves and financial safeguards.

[You can view California's Sustainable Insurance Strategy overview here.](#)