



California's Sustainable Insurance Strategy

Insurance at a Crossroads

- **Growing climate threats**
- **Historic inflation**
- **Outdated regulations**
- **Fewer options and higher costs**

Core Strategy Components

- **Streamline rate application process**
- **New risk management tools — catastrophe modeling and California-only net cost of reinsurance**
- **Insurance companies write a minimum of 85% of homes and businesses in distressed areas and depopulate FAIR Plan**
- **Strengthen the FAIR Plan**



Insurance Group*	Major Actions in Homeowner Policies (2023)	Rate Increases Approved by CDI (2023)
State Farm	Paused new policies	20% increase → homeowners 11.43% increase → rental dwelling
Farmers	Limited new policies to 7,000 a month	17.7% increase → homeowners 12.5% increase → homeowners
Allstate	Paused New Policies	Rate Increase application (pending)
USAA	Restricted underwriting to low-risk only	3.5% increase → homeowners
Travelers	Limited new policies	Rate Increase application (pending)
Nationwide	Limited new policies	19.9% increase → homeowners
Chubb	Ceased writing high-value homes with higher wildfire risk and non-renewed some high-value homes	No rate filings received in 2023

* These insurance groups fall within the top 12 of insurance groups that hold 85% of the homeowner market share.

Growing FAIR Plan

- **FAIR Plan increased by 20% in 2023**
- **Market restrictions push more consumers into FAIR Plan**



Rate Application Process

- **Improve rules for insurers and intervenors under Department direction**
- **Hire more actuaries and analysts**

Catastrophe Models

- **Models that account for the current risks being intensified by climate change**
- **Examine the use of private and public models**
- **Models used in rate approval with transparency and wildfire mitigation considerations**



Reinsurance

- **Goal is to increase insurance availability to Californians** text here
- **Insurers paying more to manage growing natural disaster losses**
- **Need to recognize reinsurance to accurately reflect the cost of writing insurance in California**

FAIR Plan Improvements

- **\$20 million commercial coverage *per structure* for larger HOAs and businesses**
- **More comprehensive coverage option**
- **Increase FAIR Plan responsiveness and reporting to CDI and policymakers**

How Do Consumers Benefit

- **Greater insurance availability**
- **Move policyholders from the FAIR Plan back to the admitted market**
- **Insurers' commitment to write at least 85% of policies in distressed areas**



Legislative Partnership

- **Continued investment needed in greater safety for Californians**
- **FAIR Plan clearinghouse programs created by Legislature**
- **Safer from Wildfires regulation**

The background of the slide is a nighttime aerial photograph of the California State Capitol building, which is perched on a hill. The building is illuminated, and its lights reflect on the surrounding landscape. In the foreground, there are dark, silhouetted trees and bushes. The background shows a vast cityscape with numerous lights from buildings and streets, stretching out to the horizon under a dark sky.

Thank You