

**TESTIMONY OF MICHAEL MARTINEZ FOR CALIFORNIA DEPARTMENT OF
INSURANCE BEFORE SENATE COMMITTEE ON INSURANCE
“WILDFIRE RESILIENCE: INNOVATION IN MITIGATION” INFORMATIONAL
HEARING ON THURSDAY, MARCH 17, 2022
UPON ADJOURNMENT OF SENATE FLOOR SESSION
IN SENATE CHAMBER, STATE CAPITOL AND VIRTUAL ONLINE**

- Good Morning, Chair Rubio and Vice-Chair Jones and Members of the Senate Committee on Insurance. Thank you for inviting me virtually here today.
- Michael Martinez, Senior Deputy Commissioner and Legislative Director, here on behalf of Insurance Commissioner Ricardo Lara and the California Department of Insurance.
- I was asked by the Committee to focus my brief remarks on steps that the Department has taken to increase the availability of insurance for homeowners and businesses, including pending administrative and regulatory actions, in the face of climate-intensified wildfires.

Where Are We Today

- [Late last December](#), the Department publicly released data representing approximately 98.8 percent of the homeowners’ insurance market in the state that showed insurance companies non-renewed fewer homeowners in 2020 when compared to the previous year of 2019 – basically a 10 percent drop in non-renewals statewide.
- That same data showed that the number of policies written by the FAIR Plan – known as the state’s insurer of last resort – increased for the second year to a new high although the FAIR Plan still only represents less than 3 percent of the overall statewide residential market of 8.7 million policies today.
- Furthermore, this data also suggested that the mandatory homeowners moratorium law passed by the Legislature in 2018 has also helped contribute to the overall decrease in non-renewals; more than 4 million policyholders have been protected over the past three years under this law that then-Senator Lara proudly authored.

Comprehensive Insurance Solutions to Protect All Californians

- While Commissioner Lara believes we still have a way to go until we have an insurance market that is available to all Californians, he and the Department

remain focused on a series of comprehensive insurance solutions to protect all Californians and secure a competitive insurance market namely:

- (1) **[Partnering with the Governor’s Administration to create consistent, statewide home and community hardening safety measures that are applicable to insurance incentives.](#)** You heard from my colleague Mike Peterson, Deputy Commissioner for Climate and Sustainability, earlier in this hearing so I will not repeat what he said except to say that the Wildfire Partnership’s [“Safer From Wildfires” framework](#) that he described between the Department and the Governor’s Administration will greatly help incentivize both home and community hardening efforts statewide in order to reduce losses and save lives.
- (2) **[Pushing to increase the availability of insurance offered by the admitted homeowners and commercial insurance markets.](#)** Several insurance companies have committed to the Department, during the Department’s administrative rate review and approval process, that they will increase the number of homeowners and commercial insurance policies written in the state and cease or limit non-renewals. These negotiations have been productive to date, are on-going, and the Department will continue to aggressively push for more new admitted insurance coverage in the time ahead.
- (3) **[Increasing insurance company recognition of mitigation efforts to protect homes, businesses, and communities.](#)** At Commissioner Lara’s urging, insurance companies have significantly expanded premium discounts for community-wide and home-specific mitigation efforts, including providing up to 20 percent discounts for wildfire-hardened homes. Currently, 17 insurance companies – and counting – representing 40 percent of the insurance marketplace have answered the Commissioner’s call to offer discounts for safer homes and communities, with even more companies interested; this figure is up from just 7 percent of the market when Commissioner Lara took office three years ago.
- (4) **[Announcing new regulations that would improve wildfire safety and transparency.](#)** Under these proposed regulations, which could be in effect by the end of this summer, insurance companies would be required to recognize homeowners’ and businesses’ safety mitigation actions as well as homeowners and businesses would be able to know their “wildfire risk scores” and be able to appeal them. These regulations address complaints that Commissioner Lara heard from many consumers and businesses across the state that steps be taken to recognize their efforts to harden their

properties and communities against wildfire, while lowering their risk of loss and damage.

(5) **Modernizing the FAIR Plan -- known as California's insurance safety net -- so it better meets consumers' and businesses' coverage needs.**

Commissioner Lara ordered the FAIR Plan to raise its [commercial](#) and [homeowners](#) coverage limits in order to better serve California's businesses and homeowners and keep pace with rising costs for more than two decades.

In addition, given a recent [Superior Court decision](#), Commissioner Lara continues to push the FAIR Plan to offer a more comprehensive homeowners policy option in addition to its current fire-only policy coverage in order to meet consumers' immediate coverage needs.

Commissioner Lara also strongly supported your/Chair Rubio's bill last year – chaptered Senate Bill 11 – and made it a high priority of the Department to [approve this new commercial coverage](#) to be offered to farms and agricultural businesses, effective February 1, 2022.

(6) **Implementing a first-of-its-kind Climate Insurance Report**, containing 40 state and local policy recommendations put together by Commissioner Lara's California Climate Insurance Working Group over two years' time that focus on reducing damage and improving recovery for vulnerable communities following a wildfire, in addition to an extreme heat wave or flood. Commissioner Lara believes that, by acting now, we can save lives and save communities from the increasing costs, health impacts, and social inequities of climate change.

These important actions, among others done and pending, by Commissioner Lara are necessary to further increase the availability of homeowners and commercial insurance across the state, especially in high wildfire risk areas.

Over the past three years, Commissioner Lara has held meetings with thousands of Californians, community organizations, local officials, and business groups across more than 36 counties, building on a myriad of public hearings, public forums, and town halls, some of which have been co-hosted with members of this Committee.

We have greatly appreciated your partnership and look forward to working with you all to continue addressing the impact of wildfires and insurance availability on California's homeowners and businesses. Thank you again for inviting me here today.