



# California Senate Insurance Committee Informational Hearing

**"Understanding California's Insurance Market:  
Key Factors and Future Outlook in the Aftermath of Recent Wildfires"**

**Michael Martinez, Chief Deputy Commissioner**

**Mike Peterson, Ph.D., Deputy Commissioner for Climate and Sustainability**

**California Department of Insurance**

**Wednesday, March 12, 2025**



## Major Department Actions to Protect Wildfire Survivors

- Ordered **advance payments on claims**, especially for Additional Living Expenses and Contents coverages
- Issued **one-year residential insurance moratoriums**, preventing insurers from canceling or non-renewing policies in wildfire-affected areas
- Created **Insurance Fraud Strike Team** to protect consumers from scammers
- Directed health insurers to submit **emergency plans** so consumers continue to have access to medical care and medications



## **Major Department Actions to Protect Wildfire Survivors**

- Hosted several weekend **Insurance Support Workshops** to help consumers file their claims
- Ordered insurers, including FAIR Plan, to properly and promptly **investigate all consumers' smoke damage claims** and ensure fair payments under law
- Ordered insurers, including FAIR Plan, to continue providing **Additional Living Expenses coverage** until wildfire survivors' homes are deemed habitable as a result of fire debris, ash, and other hazardous substances
- Launched **first-ever public consumer claims tracker**, showing 27,000 claims have already been partially paid – more than \$12 billion in relief to date





# Sustainable Insurance Strategy

- **Improve Department's rate application approval process** with faster rate filing approval times to create more certainty in insurance market
- **Introduce new climate risk management tools in ratemaking** – Catastrophe Modeling and Reinsurance Costs
- **Modernize FAIR Plan** to ensure it remains financially solvent and sustainable while providing more – yet temporary – comprehensive commercial coverage for businesses such as HOAs, affordable housing developers, and non-profits
- **Enact intervenor reform** to ensure transparency and accountability for groups that intervene in insurer rate filings at Department, with additional public rulemaking to be pursued this summer
- **Create first-in-the-Nation insurer commitments to write more policies** in wildfire distressed areas and reduce FAIR Plan policies in order to achieve greater insurance availability for consumers





# Sustainable Insurance Strategy

- **Risk Mitigation**

- Department's "Safer from Wildfires" Regulation
- Department's Catastrophe Modeling and Reinsurance regulations
- Collaboration with other local and state agencies

- **Catastrophe Modeling**

- Four private modelers have petitioned to begin Department's PRID review process – currently underway

- **California "Distressed Area" Identification**

- Based on wildfire hazard, FAIR Plan percentages, and affordability metrics
- Encompass 662 ZIP codes in California, based on December 31, 2023 data





# **Sustainable Insurance Strategy -- Insurance Company Commitments**

## **Catastrophe Modeling**

For Residential:

**85% minimum**

for large and statewide companies  
to meet and maintain

**5% growth**

for small or regional  
insurance companies

## **Net Cost of Reinsurance**

For Residential:

**85% minimum**

for all companies to  
meet and maintain

**5% growth**

every two years until companies  
meet 85% threshold

For Commercial: **5% growth** for all companies