

California's Home Insurance Market and Solutions to Protect Consumers

*Senate Insurance Committee
March 12, 2025*



Insurance Reform Proposition 103

- ✓ Open books
- ✓ Justify rates
- ✓ Get approval before raising rates
- ✓ Full transparency
- ✓ Funded public participation

Consumer Watchdog rate challenges under Prop 103 have saved billions.

2002-2024

SCALE:
■ = \$10 million



Total Med Mal and Business Savings
\$99.07 Million



Intervenor Cost
25¢ per \$100 saved



Total Awarded to Consumer Watchdog to pay for experts, including actuaries, lawyers, geologists, and economists
\$14.2 million



Over the past 20 years, home insurers have done better in California than nationwide.

	NATIONAL	CALIFORNIA
<i>Direct Incurred Loss Ratio</i>	61.7%	60.6%
<i>Direct Underwriting Profit</i>	1.2%	1.6%
<i>Direct Profit on Homeowners Insurance Transaction</i>	2.9%	3.6%
<i>Direct Return on Net Worth</i>	6.1%	9.2%

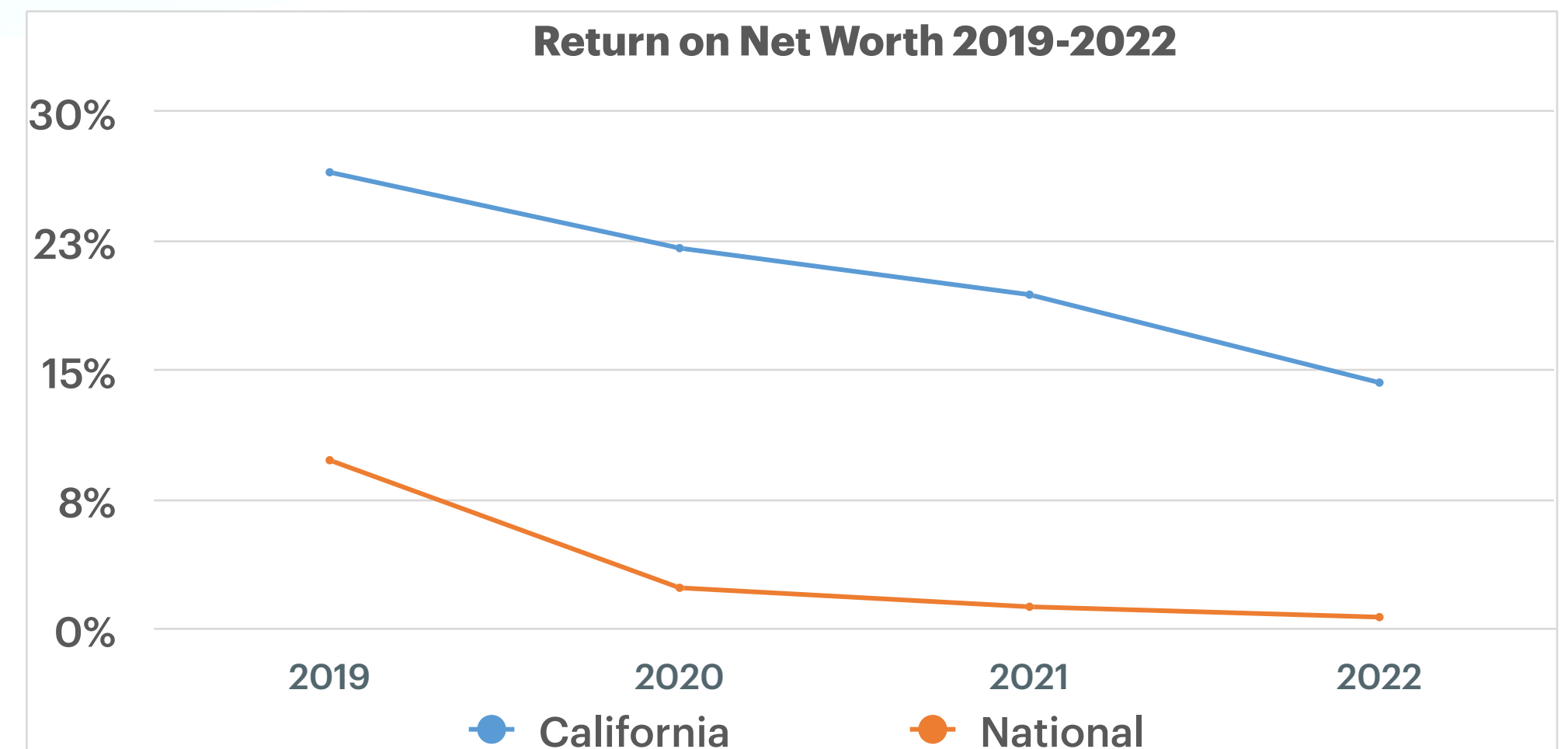
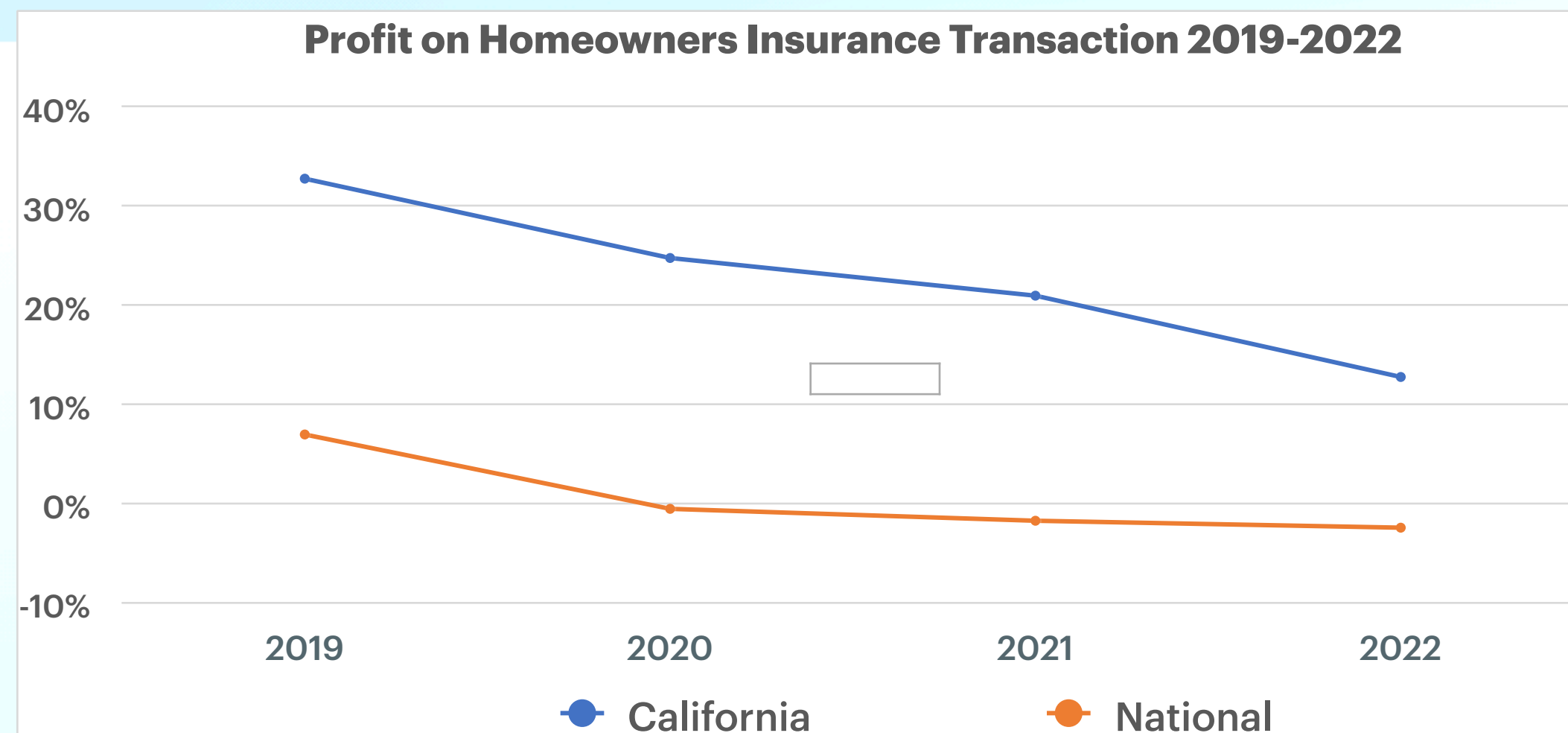
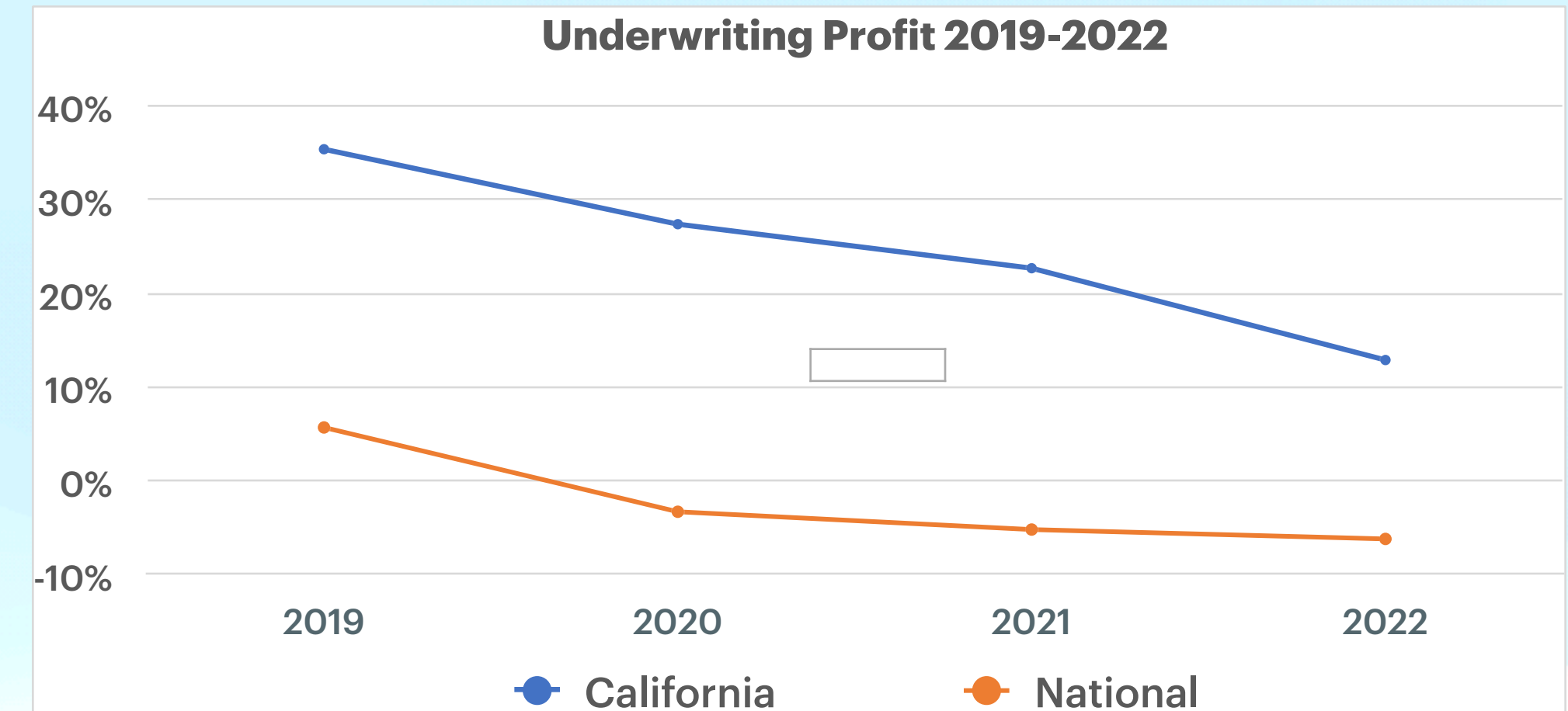
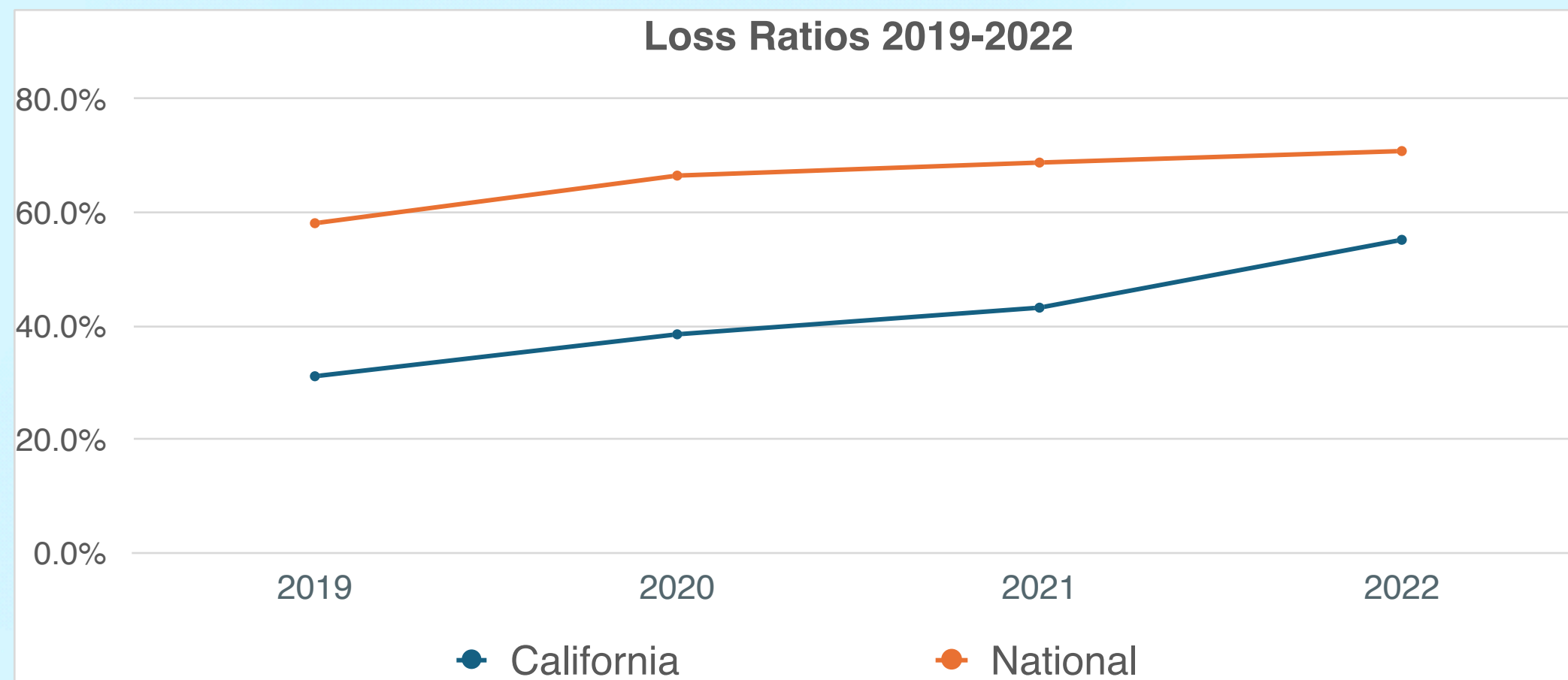
Loss ratio: Amount paid to consumers for claims per premium dollar.

Underwriting profit: Premium less the sum of claims losses, expenses, taxes, and policyholder dividends.

Profit on HO insurance transaction: Underwriting profit plus investment gains on reserves.

Return on net worth: Profit on insurance transaction plus investment gains on surplus.

In the last four years, California home insurers' profits have far exceeded insurers' nationally.



Source: Source: NAIC 2023 Report on Profitability by Line by State

Double-Digit Rate Hikes for Top 10 Home Insurance Companies

Rank	Company	Cumulative Rate Increases Jan 2023 - Feb 2025
1	State Farm	26.9%
2	Farmers Companies (Incl. Fire, Farmers, Mid-Century)	44.18%
3	CSAA (Nor. Cal. AAA)	6.9%
4	California Auto Ins. Co. (Mercury)	31.6%
5	The Auto Club (So. Cal. AAA)	26.2%
6	Allstate	42.1%
7	Standard Fire	15.3%
8	General Insurance	41.13%
9	Liberty Insurance	81.5%
10	USAA	16.8%

SOURCE: California Department of Insurance


Insurers receive billions in repayment from utilities.

SoCal Edison to settle Woolsey Fire insurance claims for \$2.2B

The 2018 blaze scorched more than 96,000 acres and destroyed more than 1,600 structures in Los Angeles and Ventura Counties.

By Catherine Traywick | January 27, 2021 at 12:00 AM

Edison Settles Thomas Fire Claims for \$1.2 Billion

 BY HOWARD FINE
SEPTEMBER 23, 2020

1294

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PG&E settles with insurance companies for \$11 billion in California wildfires, utility says

By Alanne Orjoux, CNN

🕒 2 minute read · Updated 7:00 PM EDT, Fri September 13, 2019

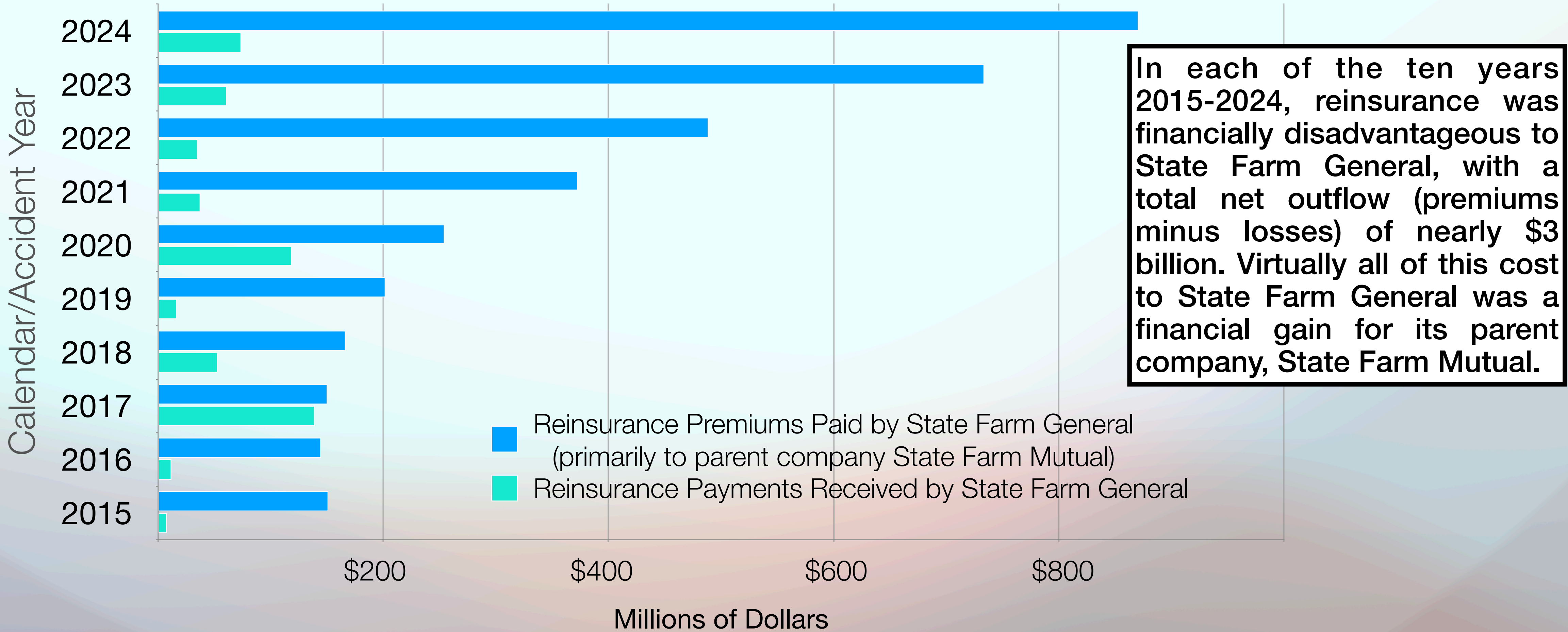


Reinsurance regulation expected to raise home insurance premiums 30-50%

- Florida regulators issued a report in 2004/5 showing the cost of reinsurance accounted for **40-50% of premiums.**
- A recent North Carolina homeowners insurance rate filing showed the net cost of reinsurance **increased the rate companies sought by 46%.**
- A June 2024 study using mortgage data to compare insurance premiums across states found an **average 33% increase in premiums due to the pass-through of reinsurance costs** in states with the most disaster risk.

State Farm Mutual is overpaying its parent company for reinsurance

State Farm General: Reinsurance Premiums and Losses (\$M)



SOURCE: State Farm General 2024 annual statement

The insurance industry's solutions were tried in Florida and failed to stabilize the market.

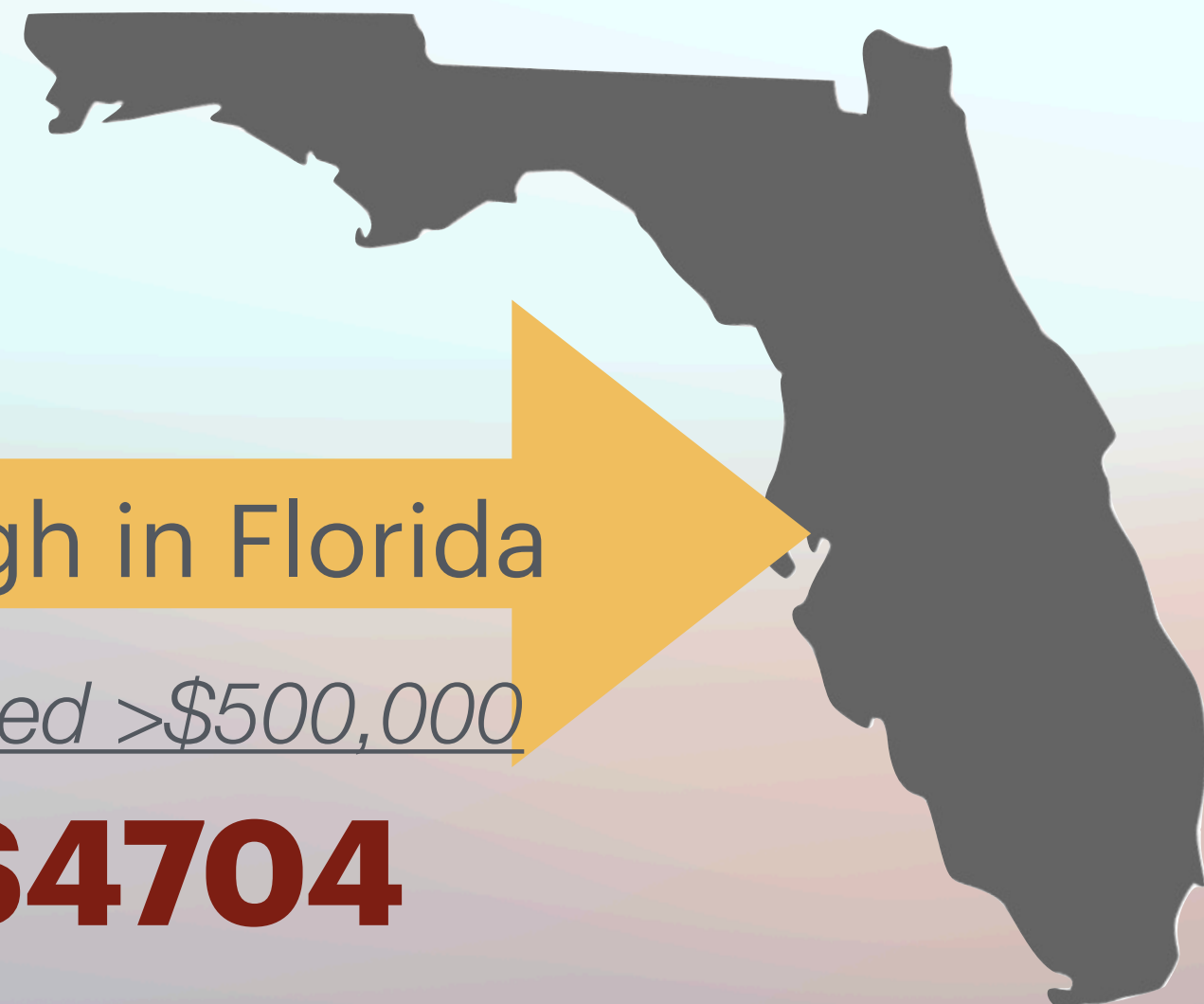
Florida has...

- Inadequate rate review
- Reinsurance pass-through
- Unverifiable black box models to set rates
- Consumers, not insurers, bail out state insurer of last resort

...it hasn't worked.

INSURER OF LAST RESORT MARKET SHARE

California	Florida
FAIR Plan - 5%	Citizens - 13%



Rates are **2½ times** as high in Florida

Average premium for home valued >\$500,000

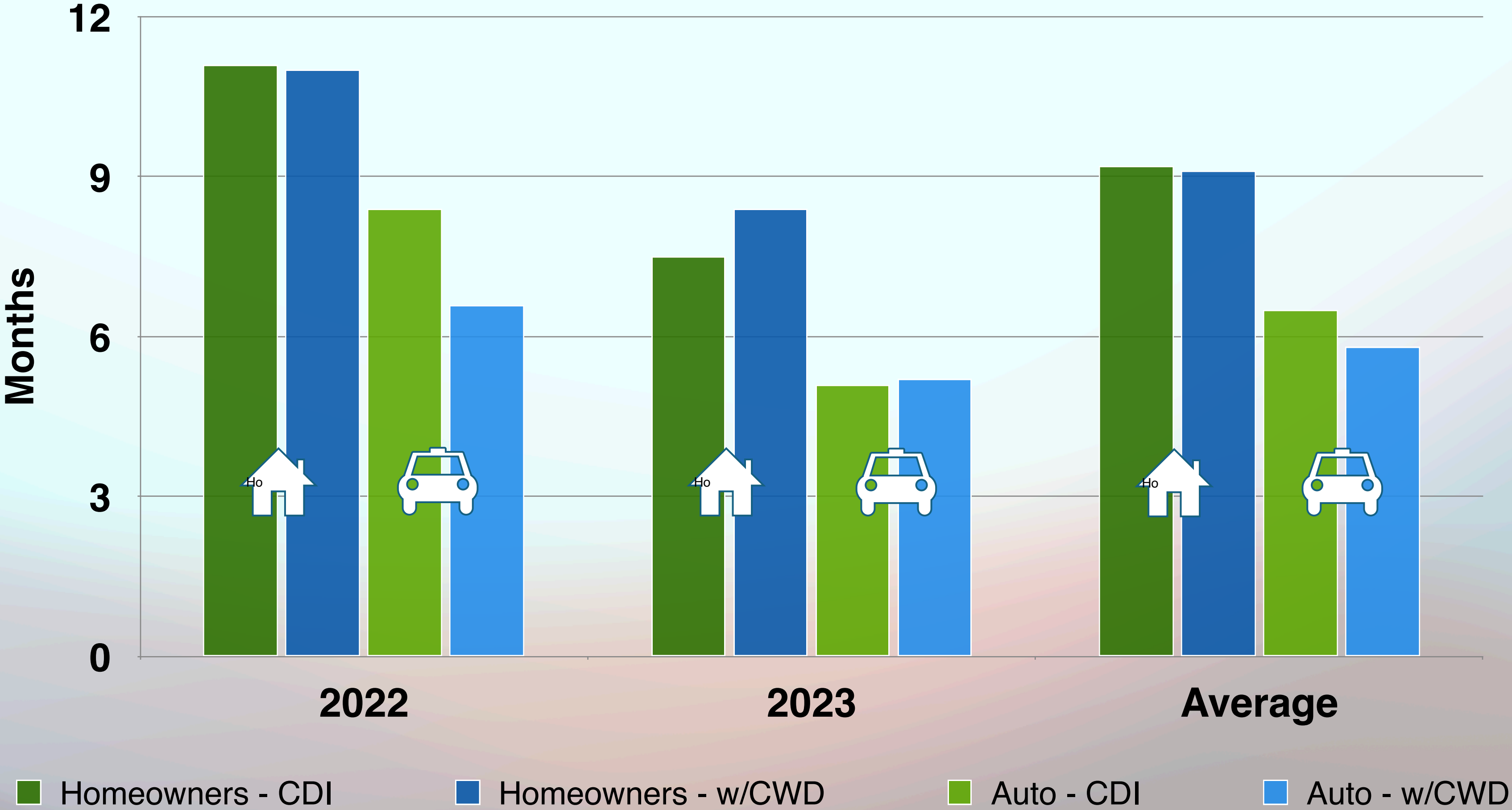
Ca: **\$1960** Fl: **\$4704**

SOLUTIONS

- ☑ Require insurers to cover homeowners who reduce risk
- ☑ 5-year ban from home & auto market if insurers refuse
- ☑ Increased state & insurer investment in mitigation
- ☑ Public, transparent wildfire catastrophe model
- ☑ Create community wildfire home-hardening standards
- ☑ Shift cost where it belongs - fossil fuel cos & insurers that prop them up

Rate Approval Timelines Same, With or Without Public Participation

Home and Auto Insurance Rate Filings Noticed in 2022 and 2023, Average Months to Approval



Rate Filings Approved by California Dept. of Insurance With & Without Public Participation, Jan. 2022 - Oct. 2023

AUTO INSURANCE RATES APPROVED

Without Public Participation:

AVERAGE INCREASE REQUESTED	AVERAGE INCREASE APPROVED
13.8%	13.5%
<i>Percent of total rate increase requested that was approved:</i>	97.7%

HOME INSURANCE RATES APPROVED

Without Public Participation:

AVERAGE INCREASE REQUESTED	AVERAGE INCREASE APPROVED
14.4%	14.0%
<i>Percent of total rate increase requested that was approved:</i>	97.3%

With Consumer Watchdog Participation:

AVERAGE INCREASE REQUESTED	AVERAGE INCREASE APPROVED
16.4%	11.7%
<i>Percent of total rate increase requested that was approved:</i>	71.0%

With Consumer Watchdog Participation:

AVERAGE INCREASE REQUESTED	AVERAGE INCREASE APPROVED
16.8%	10.4%
<i>Percent of total rate increase requested that was approved:</i>	62.0%