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Informational Hearing

“Understanding California’s Insurance Market: Key Factors and Future Outlook in the Aftermath of Recent Wildfires”

March 12, 2025

1:30 PM

1021 O Street, Room 2100

Background

For years now, California’s insurance market has become increasingly strained. At a time when the state needs more coverage due to the growing intensity and frequency of catastrophic wildfires, consumers have been left with fewer insurance options. Insurance carriers have been hesitant to underwrite policies in California, asserting that the rates in the state are not enough to cover insurers’ risk. Meanwhile many consumers, mainly those living near vegetation and other risk factors, have been left uninsured and scrambling to find coverage.

The California FAIR Plan Association, the insurer of last resort created by the state and funded by insurance carriers, has seen a dramatic increase in its number of policyholders across the state. For years, every wildfire season seemed to pressure the FAIR Plan further, leaving it to pay out rising amounts. As a result of the latest fires in Los Angeles, the FAIR Plan has received approval for a one billion-dollar assessment on all admitted insurance carriers who are financially liable for covering any deficits the FAIR Plan may have after it has exhausted its funding resources. This is an additional matter of concern as it will impact all insurance consumers across the state, as by law, these insurance companies can pass a portion of a FAIR Plan assessment on to consumers in the form of a recoupment of fifty percent of the assessed amount.

California has previously faced, and continues to grapple with the issue of wildfires across the state. With 29 lives lost, over 16,000 structures destroyed, and predictions that damages will range in the tens of billions, the recent catastrophic wildfires in Los Angeles County have led to the large-scale devastation and suffering for our residents. This latest round of wildfires has added to the scale of these tragic occurrences, further stressing the insurance

market and underscoring the pressing questions that the Senate Insurance Committee will explore in this hearing.

Approach

To begin this exploration, the Committee seeks to take a broad and inclusive look at the various perspectives of key stakeholders in the insurance market, with a particular emphasis on the state of the market and its policyholders, as a result of the recent fires. The California Department of Insurance (CDI) will be asked to provide their viewpoint through the lens of the actions taken by CDI to assist those residents affected by the fires. The Insurance Commissioner has issued an insurance cancellation/non-renewal moratorium to ensure that policyholders in the fire areas will retain their coverage for the time being. CDI has also put on numerous workshops to help policyholders understand their policies and how to file claims. Furthermore, CDI has helped protect survivors' access to prescription drugs, shield them from fraud, make them aware of their evacuation benefits, and ensure they do not have to pay for debris removal out of pocket.

Along with all these actions taken, the Insurance Commissioner has implemented the Sustainable Insurance Strategy (SIS), which aims to increase coverage options for Californians living in wildfire-prone regions by allowing insurance companies to utilize certain options like catastrophic modeling to inform rates. Given that the regulations surrounding this strategy were completed at the end of last year, the committee seeks to understand how the recent fires affected the status of the SIS.

This hearing will also assemble representatives from consumers and industry, along with the FAIR Plan. These groups will detail the actions they are taking on the ground in response to the fires, while also providing their evaluation of how these fires have impacted their ability to do business in California and assist policyholders. Because of the recent fires in Los Angeles, in addition to the fires that have occurred across the state in the preceding years, the committee seeks to answer the questions below. Added to these perspectives, the committee will also hear input from academic and actuarial experts about the outlook of the insurance market in California.

Questions and Themes

- In the aftermath of wildfires across the state, are the needs of affected residents being met?
- What are the obstacles/challenges that residents may be facing in accessing their insurance benefits?
- What will these wildfires mean for all insurance consumers, in particular, regarding insurance coverage availability and affordability?
- Given the wildfires over the past years, what is the outlook of the insurance market in California?

- What should California policymakers prioritize in the short-, mid-, and long-term to assist our residents and improve the insurance market in the state?
- What should lawmakers and the general public know about insurance in California that they might not know already?