



# California Department Of Insurance

Judith Pina

Outreach Specialist

Community Relations and Outreach Branch



# Insurance at a Crossroads in California

- Growing climate change threats
- Historic inflation
- Several insurers stopped writing and non-renewing policyholders despite approval of multiple rate increases
- Accelerated FAIR Plan growth
- Fewer options and higher costs
- Outdated decades-old regulations



# Proposition 103 ~ Brief Overview



California voters passed Prop. 103 in 1988, requiring every property and casualty insurer seeking to change its rates to obtain elected Insurance Commissioner's prior approval

Insurance Commissioner has a responsibility to ensure that approved insurance rates are not "excessive, inadequate, unfairly discriminatory"

All information provided to Insurance Commissioner in rate review process must be available for public inspection

California is only state that requires rate filings to be open for public participation in rate review process



# Current Rate Review Process

By statute under Prop. 103, Department must approve rate applications within 180 days upon receipt

However, delays largely due to:

↓  
Insurers not submitting all necessary and complete information needed to support rate application and justify rate need

↓  
Intervenor delays

↓  
Outdated technology to reconcile data between Department and insurers

↓  
Department staff bandwidth and continued review of successive +6.9% rate increase requests from insurers

Department has been hiring additional staff and re-directing vacancies to meet needs, in addition to Complete Rate Application regulation, intervenor transparency reforms, and filing timing/process efficiencies



- Streamline and improve Department's rate application approval process
- Introduce new risk management tools in ratemaking – Catastrophe Modeling and Reinsurance Costs
- Insurer commitments to write more policies in wildfire distressed areas and reduce FAIR Plan policies
- Strengthen and Modernize FAIR Plan

Insurance  
Commissioner's  
Sustainable  
Insurance  
Strategy

(Announced September 2023)

Governor's  
Executive Order N-  
13-23  
To Strengthen  
Property Insurance  
Market

# California Consumers Benefit with Insurers Increasing Writings in State



Insurance companies must commit to writing policies in high wildfire areas – which they are not legally required to do today



New regulations create pathways for this commitment to write for large companies, small to midsize companies, and new entrants into California insurance marketplace



Goal of achieving greater insurance availability for consumers, including decrease in amount of FAIR Plan policies that go back into admitted insurance market



# Introduction of Catastrophe Modeling

- Use of historical losses are not as accurate, and do not take parcel-level and community-wide mitigation efforts into account
- While majority of other states allow the use of private catastrophe models in ratemaking, California cannot introduce such use without meeting the public transparency requirements of Prop. 103.

## California had to:

1

Develop regulations to allow the use of catastrophe models in ratemaking while meeting Prop. 103 mandate for public review and transparency in addition to recognizing proprietary material contained in such models

2

Develop the process for incorporating catastrophe models into actuarial formulas in insurer rate filings

3

Identify "Distressed Areas" that the Department expects insurers to commit to writing more policies in *before* allowing them to incorporate the use of catastrophe models in ratemaking



# Reinsurance in Ratemaking



Goal is to increase insurance availability to Californians across state



Insurers paying more to manage growing natural climate disaster losses and need to accurately reflect growing costs of writing insurance in California



Insurers commit to writing more policies in distressed areas before allowing them to incorporate California-only reinsurance costs in ratemaking





# Modernizing FAIR Plan

- Historic consensus between Insurance Commissioner, FAIR Plan, and admitted market insurers
- More – yet temporary – comprehensive coverage with new \$20 Million commercial coverage per structure with overall limit of \$100 million for larger HOAs, housing developers, and larger businesses
- Necessary solvency protections added for FAIR Plan and participating admitted market insurers
- Increased public reporting for accountability

Sustainable Insurance Strategy





# What's Next

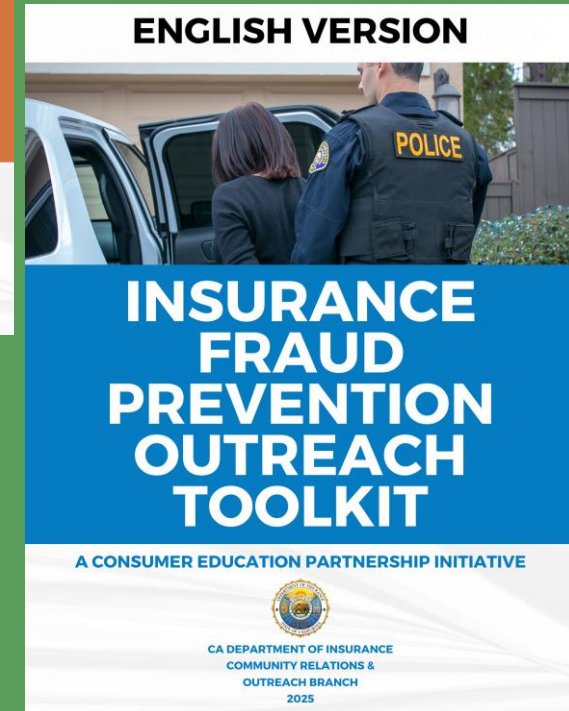
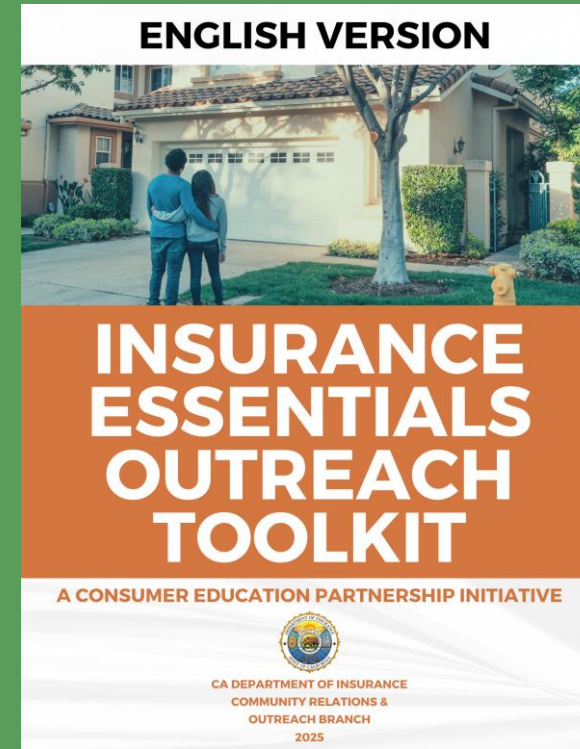
- Safer from Wildfires Framework gives you specific steps you can take to mitigate your risk and help you obtain insurance
- Catastrophe models are now being submitted for review – Verisk and Moody's are being reviewed now with more expected in months
- Insurance companies will need to submit complete rate applications
- Insurance Companies expected to have new policies available mid 2025





# How to Partner with Us

- Sign up for our Community Outreach and Education Partnership Initiative at <https://www.surveymonkey.com/r/VHGZQHT>
- This dynamic program is designed to increase consumer awareness about CDI's services and expand understanding of key insurance topics and fraud prevention.
- Get access to:
  - Comprehensive consumer education materials
  - Specialized training sessions ( First webinar on January 31<sup>st</sup>,2025)
  - Powerful social media tools







# Local Climate Planning Initiative

- This initiative highlights the critical role of insurance in mitigating risks and enhancing resilience, offering key concepts, innovative solutions, and funding strategies to help communities adapt.
- 10 page local planning guide, flyers, 4 part webinar series, resource portal on our webpage
- Part 1 of Webinar Series: The Impact of Extreme Weather on February 26<sup>th</sup>, 2025
- Part 2 of the Webinar Series: Local Government Climate Planning April 9th



 California Department of Insurance  
Partnership Initiative



**LOCAL PLANNING  
GUIDE FOR  
EXTREME  
WEATHER EVENTS**

CA DEPARTMENT OF INSURANCE  
**CONSUMER OUTREACH**



**LOCAL GOVERNMENT CLIMATE  
PLANNING WEBINAR**

The California Department of Insurance is eager to collaborate with your city, county, or municipality to provide information on how to enhance climate resilience and ensure the safety of your community.

**FREE REGISTRATION!**

Attend a **four-part webinar** to explore the role of insurance in mitigating climate risks and fostering financial resilience in communities.

- Part 1: The Impact of Extreme Weather Events on Insurance
- Part 2: Creating a Holistic Approach to Community-Centered Resilience
- Part 3: Building Partnerships and Designing Climate Projects
- Part 4: Funding Mechanisms

**Webinar Dates**

- TBD, Q1 2025
- TBD, Q2 2025
- TBD, Q3 2025
- TBD, Q4 2025

🕒 1:00 PM - 2:30 PM



**Use the QR Code or link below to register for FREE today!**

[qrco.de/CDCLIMATEINITIATIVE](https://qrco.de/CDCLIMATEINITIATIVE)



800-927-4357 (HELP) | [insurance.ca.gov](https://insurance.ca.gov) | [@insurancecagov](https://twitter.com/insurancecagov) | [@CDInews](https://twitter.com/CDInews)



**INSURANCE  
ISSUES?**

**We can help**

**800-927-4357**

