CALIFORNIA DEPARTMENT OF INSURANCE

CALIFORNIA DEPARTMENT OF INSURANCE (CDI)

SUSTAINABLE INSURANCE STRATEGY

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CALIFORNIA DEPARTMENT OF INSURANCE

MISSION:
TOP PRIORITY CONSUMER PROTECTION

- Enforce regulations on most lines of insurance and maintain insurer solvency
- Sets standards for agents and brokers licensing
- Resolve consumer insurance complaints
- Performs market conduct reviews of insurance companies
- Investigates and prosecutes insurance fraud

EDUCATIONAL TOPICS

- Home, Renters, and Business Insurance
- Senior Scam Prevention
- Sustainable Insurance Strategy
- Safer from Wildfires
- Low-Cost Auto Insurance Program
- Emergency Preparedness and Recovery
- Market and Legislative Updates

CALIFORNIA DEPARTMENT OF INSURANCE

HOMEOWNERS INSURANCE

AVAILABLE INSURERS

- Admitted Market
- Non-Admitted Market
- California FAIR Plan

ADDITIONAL INSURANCE

- Flood Insurance
- Earthquake Insurance
- Difference in Conditions Policy

INSURANCE MARKET

- Prop 103 was the last Insurance Reform *(over 30 years ago)*
- Historic Inflation
- Fewer Insurance Options
- Increasing Number of Natural Disasters
- Accelerated growth of the FAIR plan
- Cost of Reinsurance

TOP 12 COMPANIES DOMINATED 85% OF STATE'S HOMEOWNERS MARKET

SINCE 2022 – 7 OF THE TOP 12 INSURANCE GROUP HAD PAUSED OR STOPPED SELLING NEW POLICIES.

INSURANCE IN CONTEXT

CALIFORNIA CONTEXT

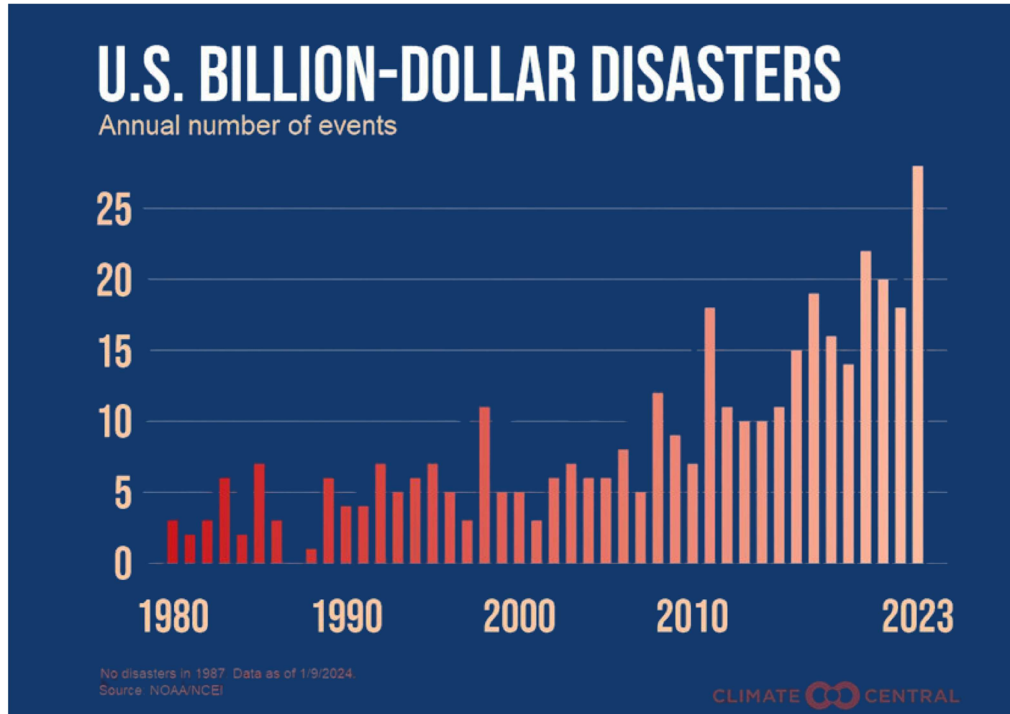
Over past 10 years, homeowners insurance companies have done far worse in California than nationally.

Direct incurred loss ratio (2012-2021)
Countrywide: 59.7%
<u>California: 73.9%</u>

Direct underwriting profit
Countrywide: 3.6%
<u>California: -13.1%</u>

Direct profit on insurance transactions:
Countrywide: 4.2%
<u>California: -6.1%</u>

Direct return on net worth:
Countrywide: 7%
<u>California: 0.8%</u>



Source: National Oceanic and Atmospheric Administration| National Centers for Environmental Information

COMMISSIONER'S RESPONSE

SAFER FROM WILDFIRES (2022)

Mandates insurers offer premium discounts for homeowners implementing wildfire mitigations while rewarding risk reduction.

SUSTAINABLE INSURANCE STRATEGY (2023-2024)

Uses catastrophe modeling for precise wildfire risk pricing, factoring in mitigation at property, community, and landscape scales to ensure market stability.

CALIFORNIA SAFE HOMES GRANT PROGRAM (2025)

Grants for low-income homeowners in high fire hazard severity zones to fund defensible space and home hardening.

SAFER FROM WILDFIRES

PROTECT THE STRUCTURE, IMMEDIATE SURROUNDINGS & THE WHOLE COMMUNITY

PROTECT YOUR HOME OR BUSINESS:

- Class A Fire-rated roof
- 5-foot ember-resistant zone
- Noncombustible 6-inch area at the bottom of exterior walls
- Ember and fire-resistant vents
- Upgraded windows (double-paned or added shutters)
- Enclosed eaves

PROTECT IMMEDIATE SURROUNDINGS:

- Clear vegetation and debris from under decks
- Remove combustible sheds and other outbuildings
- Defensible space compliance (trim trees, remove brush and debris from yard)

PROTECT THE WHOLE COMMUNITY:

- Achieve community-wide risk mitigation recognition as a Firewise or Fire Risk Reduction Community
- Minimun 8 dwelling units or as big as 2,500 can create an action plan and start being safer together.

SAFER FROM WILDFIRES

KEY PONT:

Fortify homes through Safer from Wildfires one at a time to build wildfire resistant communities.

SUSTAINABLE INSURANCE STRATEGY

MODERNIZES INDUSTRY, MAKES INSURANCE ACCESSIBLE, MAINTAINS RESILIENT MARKET & PROTECTS CONSUMERS

MAJOR COMPONENTS:

- **CATASTROPHE MODELS** use technology to provide accurate pricing options
- **MODERNIZES** Department's rate review process
- **REQUIRES** insurance companies to write in High Wildfire Severity Zones

KEY POINT:
AVAILABILITY OF INSURANCE WILL CREATE AFFORDABILITY

INSURERS UPDATES

Under the Sustainable Insurance Strategy, 13 companies have committed to growing in California, with more insurers expected to follow.

1. **CSAA**
   Effective 3/01/2026
2. **USAA (4 Companies)**
   Effective 4/30/2026
3. **California Casualty**
   Effective 5/1/2026
4. **Mercury**
   Effective 7/1/2026
5. **Pacific Specialty**
   Effective 7/1/2026

KEY POINT:
COMPANIES ARE NOW WRITING IN DISTRESSED AREAS

CA FAIR PLAN

APPROVED RATE INCREASE – EFFECTIVE OCTOBER 15, 2026

RENEWING ON OR AFTER OCTOBER 15, 2026?

FAIR plan rate will increase — for their overall book of business - May be higher if you live in a wildfire-risk areas.

TREAT THE FAIR PLAN COVERAGE AS A TEMPORARY SOLUTION, NOT A PERMANENT HOME INSURANCE CHOICE IF POSSIBLE

WHAT DO I DO NOW?

- Consult your broker immediately
- Use our insurance finder tool, top 10 tips for finding residential insurance guide
- Keep records of your improvements and communications
- FIRE SAFETY Improvements receive up to 16.4% discount

INSURANCE CONCERNS?

CALL: 800-927-4357

WWW.INSURANCE.CA.GOV

INSURANCE MARKET COMPARISON

1994 Northridge Earthquake

- 90% of Insurance companies left the state
- CA Earthquake Authority created
- Despite California experiencing 90% of the nation's earthquakes, only 10-15% of homeowners have earthquake insurance
- Coverage Gap: most California residents opt out of coverage in the event of an earthquake

INSURANCE MARKET COMPARISON

2018 CAMP FIRE - 2025 LA FIRES

- **SAFER FROM WILDFIRES**
  - Mitigation Strategies
  - Wildfire Risk Score Transparency

- **SUSTAINABLE INSURANCE STRATEGY**
  - Integrates Catastrophe Modeling
  - Expands Coverage Availability
  - Modernizes FAIR Plan
  - Streamlines Rate Filings

LONG-TERM GOAL: PREVENT A TOTAL MARKET COLLAPSE AND STABILIZE INSURANCE RATES

INSURANCE MARKET COMPARISON

4TH LARGEST INSURANCE MARKET GLOBALLY

- **MARKET VOLUME:**
  - California's insurance market is immense, with annual insurance premiums exceeding $332 billion.
- **GLOBAL POSITION**
  - California's insurance market ranks behind China, United Kingdom and the rest of the United States
- **U.S. MARKET RANK**
  - California remains the largest insurance market in the United States.

LEGISLATIVE SPONSORED BILLS

INTERLOCKING LEGISLATIVE STRATEGY FOR IMPROVING POST-DISASTER RECOVERY

1

SMOKE DAMAGE RECOVERY ACT

AB1795-Assemblymember Gipson

Smoke damage restoration standards

2

DISASTER RECOVERY REFORM ACT

SB876- Senator Padilla

Coverage gaps and policy clarity

3

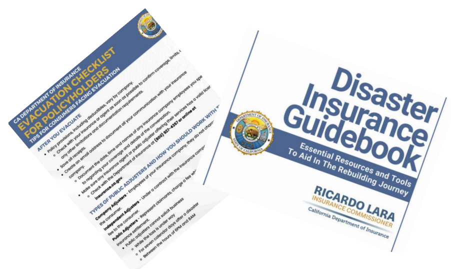
MAKE IT FAIR ACT

AB1680-Assemblymember Calderon

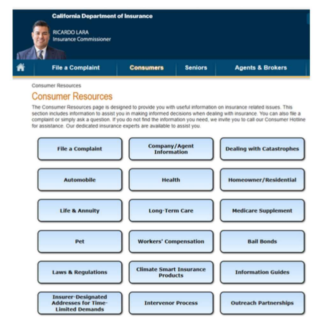
FAIR Plan reform and accountability

CDI RESOURCES

- Understanding your Policy
- Cancellation Notices
- How to Start a Claim
- Complaints regarding your Claim
- Home Inventory Guide
- Find over 100 Admitted Carriers
- CA Low Cost Auto Insurance Program
- Senior Gateway



- Information Guides
- General Questions
- Home Hardening Grants



CONSUMER ALERTS

STAY
INFORMED
SIGN UP!

NEW REGULATIONS,

CONSUMER SAFETY EDUCATION,

FRAUD PREVENTION,

UNFAIR AND DECEPTIVE BUSINESS PRACTICES,

INSURANCE ISSUES

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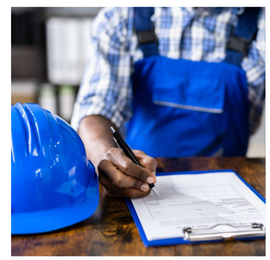
October 21
Business Insurance

WE CARE ABOUT WHAT YOU THINK

PLEASE GIVE US YOUR FEEDBACK:

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FOR GENERAL QUESTIONS AND POLICY SPECIFIC INQUIRIES:

Call 800-927-4357

www.insurance.ca.gov