FACT SHEET: Summary on Residential Insurance Policies and the FAIR Plan

Overview

The California Department of Insurance (Department) annually collects data on the counts of new, renewed, non-renewed, and canceled policies reported during a calendar year by insurance companies writing $5 million or more in written premiums in homeowners and dwelling-fire insurance lines, representing approximately 98% of the California homeowners' insurance market.[1] To better understand insurance availability in the residential marketplace, the Department also collects policy counts from the California FAIR Plan, which provides basic fire insurance coverage for properties unable to secure coverage from a traditional insurance carrier.

This Fact Sheet shares new residential fire policy counts in 2022, as well as updated counts for 2020 and 2021, using an improved reporting methodology that resulted in more accurate data from insurance companies and the FAIR Plan.[2] The following section reviews four trends observed in the data. Finally, the appendices at the end of this Fact Sheet provide the raw policy counts for the state and selected groups of counties based on fire risk. Fact Sheets from previous years can be found at the Department's website, along with additional wildfire-related datasets and resources to understand property insurance availability related to wildfire risks in California.

[1] Policy counts include residential policies of 4 units or less: homeowners' policies (HO-2, HO-3, HO-5, and HO-8, or equivalent); dwelling-fire policies (excluding dwelling fire contents only coverage); landlord/business-owner policies; and mobile/manufactured home policies. It excludes data from renters (HO-4) and condominium (HO-6) policies.

[2] The Department identified deficiencies in prior insurance company reporting that were resulting in inflated counts, such as counting cancellations of new policies that were canceled before the insurer assumed any liability (i.e., "flat-cancels"). To improve clarity and accuracy, in the current Fact Sheet, we separated the Difference in Condition (DIC) policies from the overall counts. Such DIC policies do not provide primary fire coverage and are therefore important to analyze as a separate category in order to better understand the overall availability of fire insurance coverage in the California homeowners market.

Results and Observations

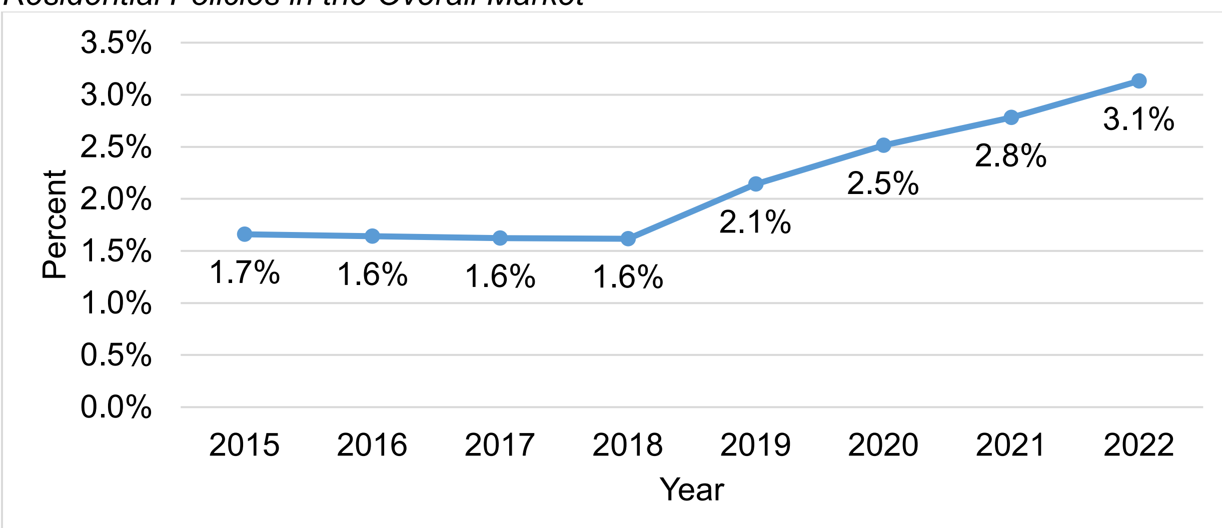
1. ***Policy count data for 2022 indicates that FAIR Plan policy counts increased compared with 2021, continuing a multi-year trend of FAIR Plan policy count growth from 1.6% of the residential market to 3.1% of the residential market.***

From 2019-2022, the counts of new and renewed FAIR Plan policies remain at an elevated level compared to the prior 2015-2018 period as shown in Table 1 below. Between 2020 and 2022, the FAIR Plan reported 53,040 more new and renewed policies, representing an increase of 24% over that time frame. This increased the proportion of FAIR Plan policies to the total number of statewide policies in the residential market from 2.5% in 2020 to 3.1% in 2022 (see Figure 1).

Table 1. Yearly Counts of New and Renewed Policies

	2015	2016	2017	2018	2019	2020	2021	2022
FAIR Plan	141,391	141,192	140,312	140,447	189,790	222,091	246,807	275,131
Statewide	8,357,624	8.443,088	8,488,851	8,526,338	8,642,265	8,580,051	8,599,161	8,483,826

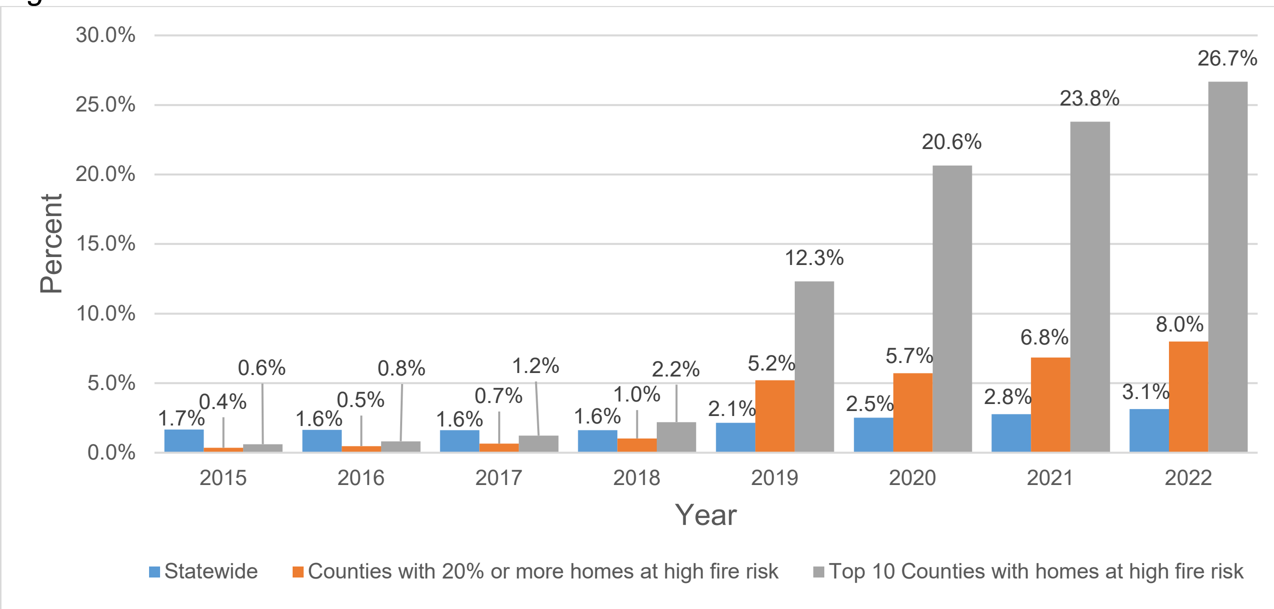
Figure 1. New and Renewed FAIR Plan Policies as a Percentage of New and Renewed Residential Policies in the Overall Market



2. *The proportion of FAIR Plan policies to the overall number of policies statewide and in selected counties based on wildfire risk[3] show large increases after the 2017 and 2018 wildfires.*

The increase in FAIR Plan policies has been particularly concentrated in counties that have higher fire risk. As shown in Figure 2, the proportion of FAIR Plan policies increased in 2019 in counties with high fire risk, particularly in the top 10 counties.

Figure 2: New and Renewed FAIR Plan Policies to Total Policies in Selected Counties



[3] The top ten counties with homes at high fire risk, ranked by highest exposure first, are as follows: Tuolumne, Trinity, Nevada, Mariposa, Plumas, Alpine, Calaveras, Sierra, Amador, and El Dorado.

Counties where 20% or more homes are in high fire risk, ranked by highest exposure first, are as follows: Tuolumne, Trinity, Nevada, Mariposa, Plumas, Alpine, Calaveras, Sierra, Amador, El Dorado, Mono, Lake, Mendocino, Siskiyou, Butte, Lassen, Shasta, Tehama, Santa Cruz, Humboldt, Napa, Del Norte, Modoc, Placer, Monterey, Marin, San Luis Obispo, and Ventura.

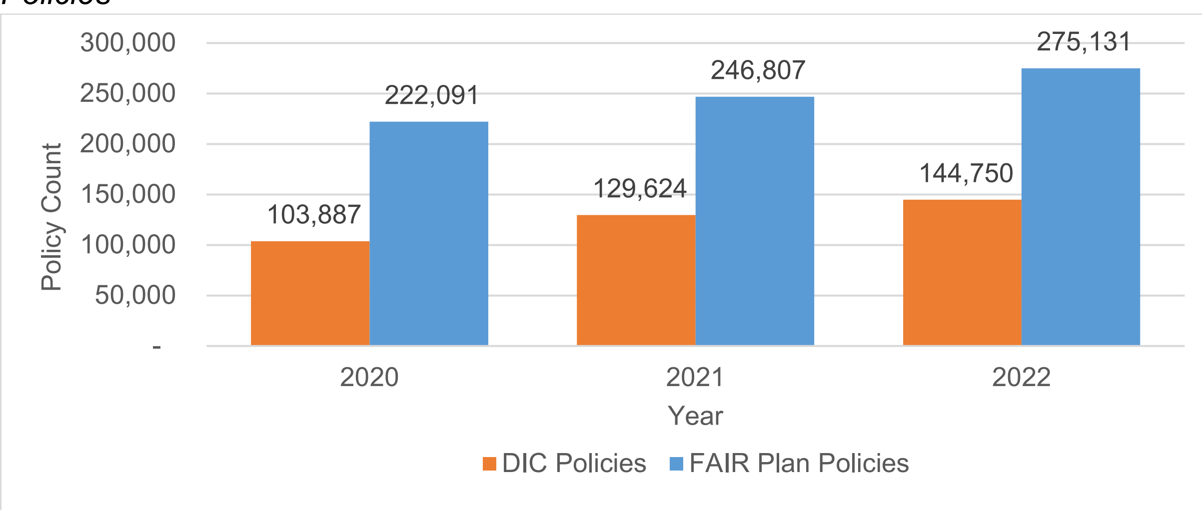
See Appendix C in Cignarale, T., Laucher, J., Allen, K., & Landsman-Smith, L. (2017). The Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions. *California Department of Insurance's Availability and Affordability Residential Property Insurance Task Force.*

3. *Half of FAIR Plan policyholders have comprehensive coverage under a "difference in conditions" policy. This proportion has remained consistent, even as the FAIR Plan has grown.*

New data shows the proportion of new and renewed FAIR Plan policies to Difference in Conditions (DIC)[4] policies for 2020, 2021, and 2022. The ratio of DIC policies to FAIR Plan policies has remained consistent since 2020, indicating that as FAIR Plan policies have increased from 2020-2022, the number of DIC policies has grown proportionally.

DIC policies (often called "wrap-around" policies) provide supplementary protection to provide coverage for perils commonly available in a HO-3 or other homeowners policy, but currently not available under the FAIR Plan. Examples of such perils are water damage, theft, and liability coverage. From 2020-2022, the proportion of new and renewed DIC policies to the number of FAIR Plan policies has been about 50% (see Figure 3). In other words, for every two FAIR Plan policies written, one of those policyholders also elected to purchase DIC coverage. Thus, even though the number of new and renewed DIC and FAIR Plan policies have both increased over time, the relative gap between the number of FAIR Plan policies and the number of DIC policies has not decreased. This suggests that many homeowners with FAIR Plan policies do not have an accompanying DIC policy, which is notable because to cover the same perils that would be covered by a traditional homeowners' policy, each FAIR Plan policy would have to be paired with a DIC policy.

Figure 3. New and Renewed Difference in Conditions (DIC) Policies and FAIR Plan Policies

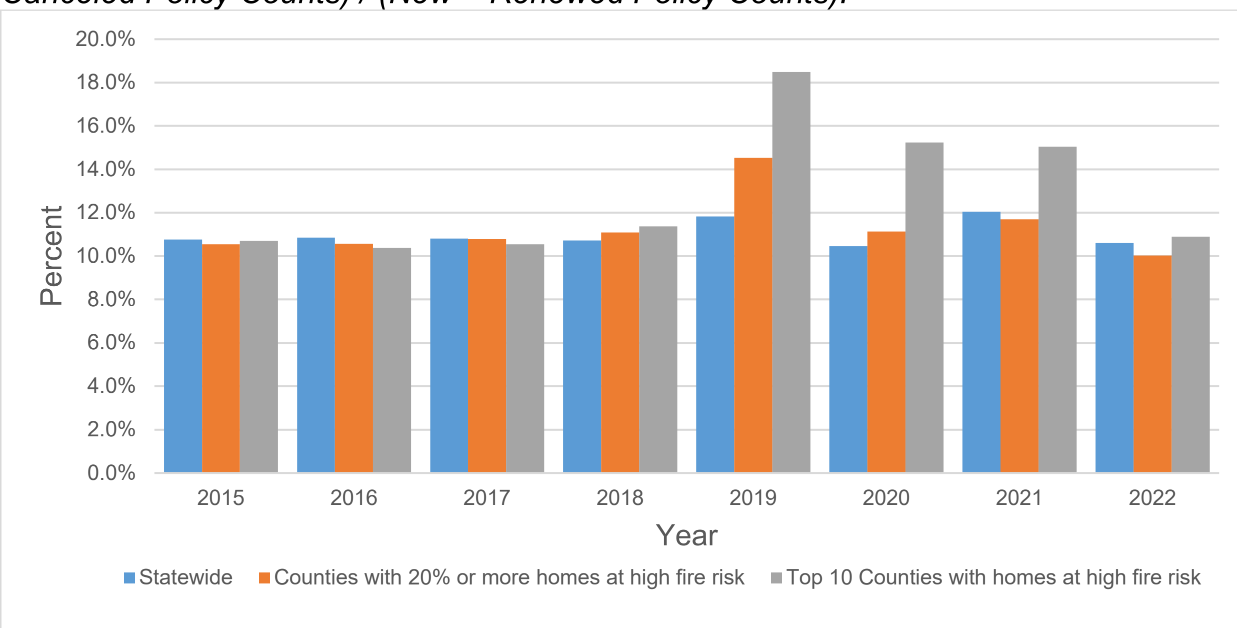


[4] DIC policies were included by companies in prior reporting years, though some companies did proactively exclude DIC policies in their filings. Note that counts of DIC policies only includes the Admitted market. It is possible that additional DIC policies could be part of the Surplus Lines market.

4. Non-renewals and cancellations fluctuate since 2018.

Figure 4 shows that after the large fires in 2017 and 2018, which caused tens of billions of dollars in insured damages[5], the proportion of non-renewed and canceled policies to the number of new and renewed policies began to increase. This suggests that insurers were non-renewing at a higher volume than in previous years. However, the number of non-renewed and canceled residential policies were not simply increasing each year, but were fluctuating year-over-year from 2019 until the most recent data at the end of 2022 (See Appendix A). Data does not show a direct relation between wildfire losses and insurance non-renewals and cancellations between 2019 and 2022. These fluctuations in non-renewed and canceled policies do not align with specific wildfires, and the long-term, multi-year data collection demonstrates variability that is likely affected by many factors. For instance, even though the year 2020 saw fewer non-renewed and canceled policies than in 2019 or 2021, there were more than 11,116 structures destroyed by wildfires in 2020, 15.2 times greater than the 732 destroyed in 2019.[6]

Figure 4. Comparison of Non-Renewed and Canceled Policies to New and Renewed Policies in Selected Counties. Percentages were calculated as (Non-Renewed + Canceled Policy Counts) / (New + Renewed Policy Counts).



[5] See: https://www.insurance.ca.gov/0400-news/0100-press-releases/2019/release041-19.cfm and https://www.insurance.ca.gov/0400-news/0100-press-releases/2018/release013-18.cfm

[6] See https://www.fire.ca.gov/incidents/2020 and https://www.fire.ca.gov/incidents/2019

Appendix A: Statewide Policy Counts

	Voluntary Market				FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-Renewed/ Canceled		New	Renewed	Non-Renewed/ Canceled	New	Renewed
2022	905,620	7,578,206	900,797		66,120	209,011	34,031	12,257	12,402
2021	1,084,713	7,514,448	1,037,193		64,866	181,941	36,132	14,647	13,770
2020	1,007,242	7,572,809	898,063		73,190	148,901	28,262	13,659	14,119
2019	1,102,130	7,540,135	1,022,638		73,557	116,233	25,543	11,912	9,620
2018	979,638	7,546,700	914,187		23,049	117,398	22,154	8,247	11,547
2017	978,576	7,510,275	918,092		22,017	118,295	21,740	6,660	11,034
2016	966,610	7,476,478	916,751		22,643	118,549	21,979	7,431	9,213
2015	944,639	7,412,985	899,581		22,740	118,651	20,944	6,503	7,881

Appendix B: ZIP Codes with a State Responsibility Area (SRA)[7] Presence

	Voluntary Market			FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-Renewed/ Canceled	New	Renewed	Non-Renewed/ Canceled	New	Renewed
2022	464,174	3,759,850	470,437	56,746	142,350	25,233	7,494	8,193
2021	555,644	7,514,448	541,654	55,052	114,901	25,723	9,261	9,021
2020	528,243	7,572,809	480,713	61,897	80,923	19,268	8,643	9,083
2019	606,638	3,759,090	560,182	62,072	42,819	13,769	8,390	6,802
2018	507,309	3,795,487	474,002	13,538	36,562	9,358	6,508	9,142
2017	498,423	3,777,648	468,758	11,830	33,681	8,354	5,138	8,594
2016	493,002	3,763,190	469,762	10,964	31,153	7,965	5,800	6,770
2015	477,749	3,738,748	458,004	10,750	28,265	7,003	4,886	5,635

[7] State Responsibility Area (SRA): In response to California Public Resources Code Section 4201-4204, the California State Fire Marshal created a fire map depicting moderate to very high fire hazard severity zones in California that was adopted on November 7, 2007. We were able to conjoin the fire zones with ZIP codes to identify the ZIP codes affected. However, this fact sheet does not attempt to describe the degree of overlap between individual ZIP Codes and zones.

Appendix C: Top 10 Counties with the Highest Exposure to Fire Risk[8]

	Voluntary Market				FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-Renewed/ Canceled	New	Renewed	Non-Renewed/ Canceled	New	Renewed
2022	12,260	138,879	17,355	12,246	43,369	5,978	538	1,175
2021	16,869	140,843	23,737	13,829	36,184	6,488	948	1,450
2020	20,317	143,167	24,949	20,122	23,114	4,868	1,147	1,564
2019	43,785	150,732	35,963	23,743	4,075	2,007	2,062	1,593
2018	21,404	165,307	21,231	2,437	1,878	687	1,978	2,719
2017	17,589	169,462	19,721	1,199	1,196	484	1,585	2,383
2016	18,178	171,393	19,693	727	878	380	1,968	1,215
2015	17,009	175,306	20,597	632	562	269	1,026	1,027

[8] The ten counties, ranked by highest exposure first, are as follows: Tuolumne, Trinity, Nevada, Mariposa, Plumas, Alpine, Calaveras, Sierra, Amador, and El Dorado. See Appendix C in Cignarale, T., Laucher, J., Allen, K., & Landsman-Smith, L. (2017). The Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions. *California Department of Insurance's Availability and Affordability Residential Property Insurance Task Force.*

Appendix D: Counties Where 20% or More of the Dwellings are at High Fire Risk[9]

	Voluntary Market			FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-Renewed/ Canceled	New	Renewed	Non-Renewed/ Canceled	New	Renewed
2022	104,001	977,535	110,389	24,889	69,440	11,010	2,592	3,218
2021	124,767	977,778	128,642	25,949	55,571	11,321	3,096	3,847
2020	126,518	985,061	123,898	33,064	34,783	8,149	3,231	4,137
2019	114,159	605,547	104,538	32,770	7,037	3,566	3,249	2,677
2018	82,363	626,500	78,641	3,791	3,658	1,336	3,084	4,195
2017	74,863	629,233	75,948	2,154	2,534	941	2,398	3,750
2016	74,099	631,429	74,564	1,553	1,861	791	2,907	2,094
2015	71,886	633,940	74,467	1,314	1,234	587	1,624	1,794

[9] Counties where 20% or more homes are in high fire risk, ranked by highest exposure first, are as follows: Tuolumne, Trinity, Nevada, Mariposa, Plumas, Alpine, Calaveras, Sierra, Amador, El Dorado, Mono, Lake, Mendocino, Siskiyou, Butte, Lassen, Shasta, Tehama, Santa Cruz, Humboldt, Napa, Del Norte, Modoc, Placer, Monterey, Marin, San Luis Obispo, and Ventura. See Appendix C in Cignarale, T., Laucher, J., Allen, K., & Landsman-Smith, L. (2017). The Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions. *California Department of Insurance's Availability and Affordability Residential Property Insurance Task Force.*