

California's Sustainable Insurance Strategy

Insurance Commitments for Wildfire Distressed Areas

June 2024



A comprehensive strategy to fix California's insurance crisis

- ▶ **Informed by community input and data.**
- ▶ **Insurance companies are committing to write and expand in high wildfire risk areas across the state — in a rate filing reviewed by the Department.**
- ▶ **People will be able to move off FAIR Plan into traditional coverage.**



Catastrophe models lead to greater safety and better risk assessment

- ▶ Account for individual, community, and statewide mitigation.
- ▶ Recognize changing conditions such as climate and real estate development in high risk wildfire areas.
- ▶ Better management of catastrophic risk and premium accuracy.



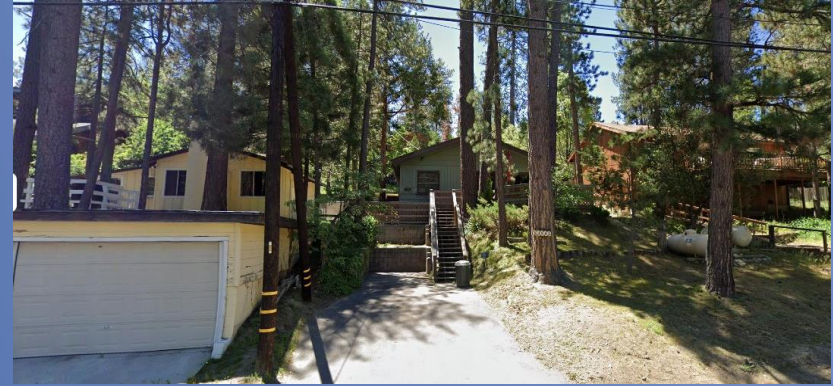
Guiding principles

- ▶ Maximize geographic relief to insurance consumers.
- ▶ Define distressed areas of the state in a way that is clear, understandable, and addresses FAIR Plan growth.
- ▶ Monitor distressed areas annually and focus on expanding insurance access for distressed properties.



Hybrid approach to help consumers

- ▶ California's complex geography and insurance market require taking multiple approaches to help the most people.



ZIP Codes

- ▶ "High" and "Very High" fire hazard categories based on most recent CAL FIRE maps
- ▶ FAIR Plan concentration rate of 15% or higher
- ▶ Affordability index for income-eligible in high and very high fire hazard area categories — based on the cost of coverage



Counties

- ▶ **Wildfire Risk Scores: If 20% or more of properties in a county are in a high risk area (i.e. 1 out of 5 structures)**
- ▶ **20% threshold helps prevent “cherry picking” in low risk urban areas**



FAIR Plan policies facing wildfire risk

- ▶ Pockets of FAIR Plan policies exist in nearly every county.
- ▶ As part of new growth benchmarks, insurance companies will take FAIR Plan policies in Northern, Central, and Southern California.



Concentration of FAIR Plan policies and wildfire risk



Areas of higher concentration of FAIR Plan policies and wildfire risk



Areas of lower concentration of FAIR Plan policies and wildfire risk



Companies will be driven to write new policies

Residential
85% minimum
in wildfire distressed areas

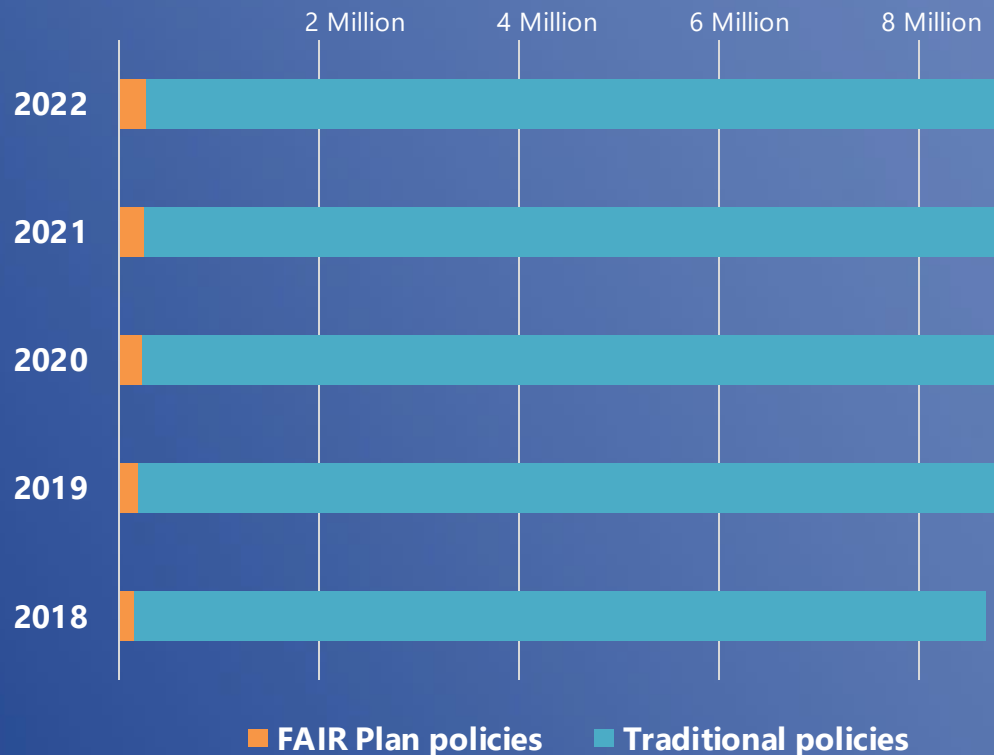
5% growth
for small or regional
insurance companies

Commercial: **5% growth** for
all companies



Amount of FAIR Plan vs. traditional policies

- ▶ Over the past five years, FAIR Plan residential policies represent single-digit growth compared to traditional insurance. More FAIR Plan policies are being written in areas with wildfire risk.



What this means for Californians:

First Approach	Second Approach	Third Approach
ZIP Codes with greater than 15% FAIR Plan policies or affordability index	Counties with greater than 20% of properties at risk	FAIR Plan policies statewide in wildfire risk areas
Minimum 85% policies written in traditional market	Minimum 85% policies written in traditional market	5% growth of writing to take policies out of FAIR Plan
5% growth of writing	5% growth of writing	

More coverage options and fewer FAIR Plan policies in areas of higher risk



The Department of Insurance's enforcement authority

- ▶ Under existing law, the Department can do a market conduct exam and audit insurance companies if they fail to meet the requirement.
- ▶ Conduct rate hearing, which can lead to a rate adjustment or refunds.
- ▶ Prevent insurance companies from using catastrophe models.



Department seeking public input

- ▶ Draft regulation text and maps available at insurance.ca.gov
- ▶ Public workshop scheduled for Wednesday, June 26 at 2:30PM. RSVP for virtual link at insurance.ca.gov
- ▶ Public invited to submit written comments by June 27 to CDIRegulations@insurance.ca.gov

