



# California's Sustainable Insurance Strategy

# Insurance at a Crossroads

- **Growing climate threats**
- **Historic inflation**
- **Outdated regulations**
- **Fewer options and higher costs**

# Core Strategy Components

- **Streamline rate application and approval process**
- **New risk management tools — catastrophe modeling and California-only net cost of reinsurance**
- **Insurance companies write a minimum of 85% of homes and businesses in distressed areas and depopulate FAIR Plan**
- **Modernize and Strengthen FAIR Plan**

Insurance Group*	Major Actions in Homeowner Policies (2023)	Rate Increases Approved by CDI (2023)
State Farm	Paused new policies	20% increase → homeowners 11.43% increase → rental dwelling
Farmers	Limited new policies to 7,000 a month	17.7% increase → homeowners 12.5% increase → homeowners
Allstate	Paused New Policies	4.0% increase → homeowners
USAA	Restricted underwriting to low-risk only	3.5% increase → homeowners
Travelers	Limited new policies	Rate Increase application (pending)
Nationwide	Limited new policies	19.9% increase → homeowners
Chubb	Ceased writing high-value homes with higher wildfire risk and non-renewed some high-value homes	No rate filings received in 2023

\* These insurance groups fall within the top 12 of insurance groups that hold 85% of the homeowner market share.

# Growing FAIR Plan

- **FAIR Plan increased by 20% in 2023**
- **Market restrictions push more consumers into FAIR Plan**



# Rate Application Process

- **Improve rules for insurers and intervenors to streamline rate application and approval process**
- **Hire more actuaries and analysts**

# Catastrophe Models

- **Models that account for current risks being intensified by climate change**
- **Examine use of private and public models**
- **Models used in rate approval with transparency and wildfire mitigation considerations**



# Reinsurance

- **Goal is to increase insurance availability for Californians** text here
- **Insurers paying more to manage growing natural disaster and climate-related losses**
- **Need to recognize reinsurance to accurately reflect the cost of writing insurance in California**

# FAIR Plan Improvements

- **\$20 million commercial coverage per location and then per structure for larger HOAs, builders, and businesses**
- **More comprehensive coverage options**
- **Increase FAIR Plan responsiveness and reporting to CDI and policymakers**



# How Consumers Benefit

- **Transformative regulatory reforms**
- **Greater insurance availability**
- **Move policyholders from FAIR Plan back to admitted market**
- **Insurers' commitment to write at least 85% of policies in distressed areas**