



#INSURECA

# AGENT & BROKER ALERT

California Insurance Commissioner Ricardo Lara

## Maintaining a Competitive Property and Casualty Insurance Market for Californians

### *Insurance Commissioner Addresses State of the Property and Casualty Insurance Market and Department of Insurance Actions*

**June 8, 2023** — Agents and brokers have been at the forefront of meeting California consumers' insurance challenges since climate-intensified catastrophic wildfires hit California in 2017. Many of you are rightly concerned with the reported losses in the insurance market and the availability and affordability of homeowners and commercial insurance in the last few years. The Department of Insurance is committed to working with you to keep you up to date on the issues and help inform consumers on the facts about what we are doing to maintain a competitive property and casualty insurance market.

As you know, on Friday, May 26<sup>th</sup>, State Farm General Insurance Company announced it will **temporarily** stop writing **new** homeowners' and certain commercial insurance policies in California. Allstate paused new homeowners business in November 2022. Announcements such as these can create uncertainty and anxiety among consumers looking for homeowners and commercial insurance, and affect agents' and brokers' business.



**Being safer from wildfires can help your insurance**

[Learn more](#)

**"Protecting Californians from deadly wildfires means everyone doing their part, including insurance companies, by rewarding consumers for being safer."**

- Insurance Commissioner  
Ricardo Lara

### **Working to Preserve Competition and Resiliency**

- The factors largely driving these companies' decisions include climate change increasing catastrophic exposure, higher reinsurance costs affecting the entire insurance industry, and global inflation. The Department of Insurance is committed to taking action to preserve the long-term resiliency of the California market to these challenges.
- Under our long-standing rules, it's up to insurers to decide when to ask for rate changes and how often. Many are now requesting increased rates, driven by historic losses. Our Department rate regulation experts continue to review these filings, with most approved at or near the level requested. Our review time for most filings averages just over six months but some filings take longer due to more information needed from the insurer, more complex filings that include multiple products with new sophisticated models, vague, subjective, and unfairly discriminatory underwriting and eligibility guidelines that need to be addressed, and the intervenor process.
- In the face of growing climate change threats, the Department of Insurance is holding a public workshop on July 13<sup>th</sup> to explore insurance companies' use of risk assessment tools, namely catastrophe modeling and how it can benefit consumers through increased insurance coverage options, fair and justified pricing of insurance, and greater recognition for wildfire safety and mitigation investments.

- The FAIR Plan is available insurance of last resort and is able to offer up to \$3 million coverage for homeowners and, later this year, will offer up to \$20 million commercial insurance coverage for businesses, homeowners associations, condominium complexes, and others.

The Department of Insurance is focused on what we can control – the safety of our homes and communities, and our oversight of insurance company rate requests. The actions that we’re taking include the first-ever insurance discount program for wildfire safety and unprecedented wildfire mitigation investments from the State Legislature and Governor. Insurance representatives including the Institute for Building and Home Safety participated in the creation of our Safer from Wildfires framework, and insurance companies have submitted filings in compliance with the implementation of our new regulation. Our rate regulation experts are currently reviewing those to make these new discount programs available as soon as possible.

The Department of Insurance has several tools to help consumers shop for insurance, including [Tips for Finding Residential Insurance](#) and an [Insurance Finder](#) tool that can help consumers locate an agent who can help them in their area. The experts at the Department of Insurance can help consumers with insurance coverage or claim questions and we encourage you to have them contact us at our consumer hotline at (800) 927-4357 or online chat at [www.insurance.ca.gov](http://www.insurance.ca.gov) for one-on-one assistance.

### **Insurance Commissioner’s Major Actions to Date**

Insurance Commissioner Ricardo Lara is addressing both short and long-term factors to create lasting solutions for consumers, including:

- **[Safer from Wildfire Regulations](#)**: After hearing from countless consumers across the state, Commissioner Lara is now mandating insurance companies to recognize and reward wildfire safety and mitigation efforts made by homeowners and businesses. His new regulation requires insurance companies to submit new rates that recognize the benefit of safety measures such as upgraded roofs and windows, defensible space, and memberships in community-wide programs such as Firewise USA and the [Fire Risk Reduction Community](#) designation developed by the state’s Board of Forestry and Fire Protection. It further requires insurance companies to provide discounts to consumers that meet various elements of the Safer from Wildfires framework and to provide consumers with their property’s “wildfire risk score,” including a right for consumers to appeal that score.
- **[Proactive Outreach to Insurance Companies](#)**: Commissioner Lara continues to proactively outreach to insurance companies to write more business in California so consumers continue to have available coverage options in the face of continued climate change. These discussions are on-going.
- **[Rate Filing Approvals and Market Conduct Reviews](#)**: Our Department experts closely scrutinize insurers’ submitted rate filings to ensure any approved rates are justified and to make sure consumers are not paying more than necessary for their coverage. These reviews promote fairness, transparency, and accountability within the insurance marketplace. Department rate filing approval times for non-intervened filings generally averaged just over six months between 2015 and 2022.
- **[FAIR Plan Reforms](#)**: Commissioner Lara is reforming the FAIR Plan to expand its coverage options and ensure availability for policyholders, including expanding residential and commercial coverage limits for the first time in 25 years to keep pace with increased costs. His [agreement with the FAIR Plan](#) increases its commercial coverage limit to \$20 million for businesses unable to find coverage in the normal insurance marketplace.
- **[Moratorium on Non-renewals and Cancellations](#)**: Under a law written by then-Senator Lara, the Commissioner has protected more than 4 million people statewide since 2019 through mandatory one-year moratoriums on insurance companies cancelling or non-renewing residential insurance policies in certain areas within or adjacent to a fire perimeter after a declared state of emergency is issued by the Governor.

- **Sponsoring New Insurance Protections:** Commissioner Lara-sponsored bills signed into law by the Governor -- despite opposition from insurance companies -- will mean larger payouts for some consumer claims, less red tape from insurance companies, and more help for people under evacuation orders.
- **Funding for Wildfire Safety:** We are working with the Governor and Legislature to increase our wildfire mitigation efforts, pumping \$2.7 billion into wildfire resilience programs over the past three years. These efforts include funding fire prevention grants for local risk reduction projects, creating fire breaks that protect communities, expanding defensible space inspections, and increasing strategies like prescribed fire and fuels reduction projects.
- **Additional Tools:** Commissioner Lara is committed to continue to look at how we can give insurance companies more tools to better manage risk given the continued threat of climate change so we can maintain competition and ensure stability in the insurance marketplace while protecting consumers. However, there must be a firm, mandatory commitment from the voluntary insurance market to provide and maintain homeowners and commercial insurance, especially to our most vulnerable and those living in the WUI, transparency in the Proposition 103 ratemaking process, and consistent reliability and accuracy that take into account community-based and parcel-level risk reduction and mitigation strategies and home hardening efforts.

### **We Want to Hear From You**

Insurance Commissioner Ricardo Lara will be hosting an agent and broker briefing to open a dialogue with agents and brokers and address the state of the property and casualty insurance market and Department of Insurance actions. Please register for the briefing and send us your questions or issues you would like the Commissioner to address.



# AGENT & BROKER BRIEFING

Hosted by Insurance Commissioner Ricardo Lara



**Tuesday,  
June 13th**

**1:00 - 2:00 PM**

**RSVP TODAY:**

**[bit.ly/061323](https://bit.ly/061323)**

Please join Insurance Commissioner Ricardo Lara for an insurance agent and broker briefing on the state of California's property and casualty insurance market and hear what the Department of Insurance is doing to maintain a competitive market.

