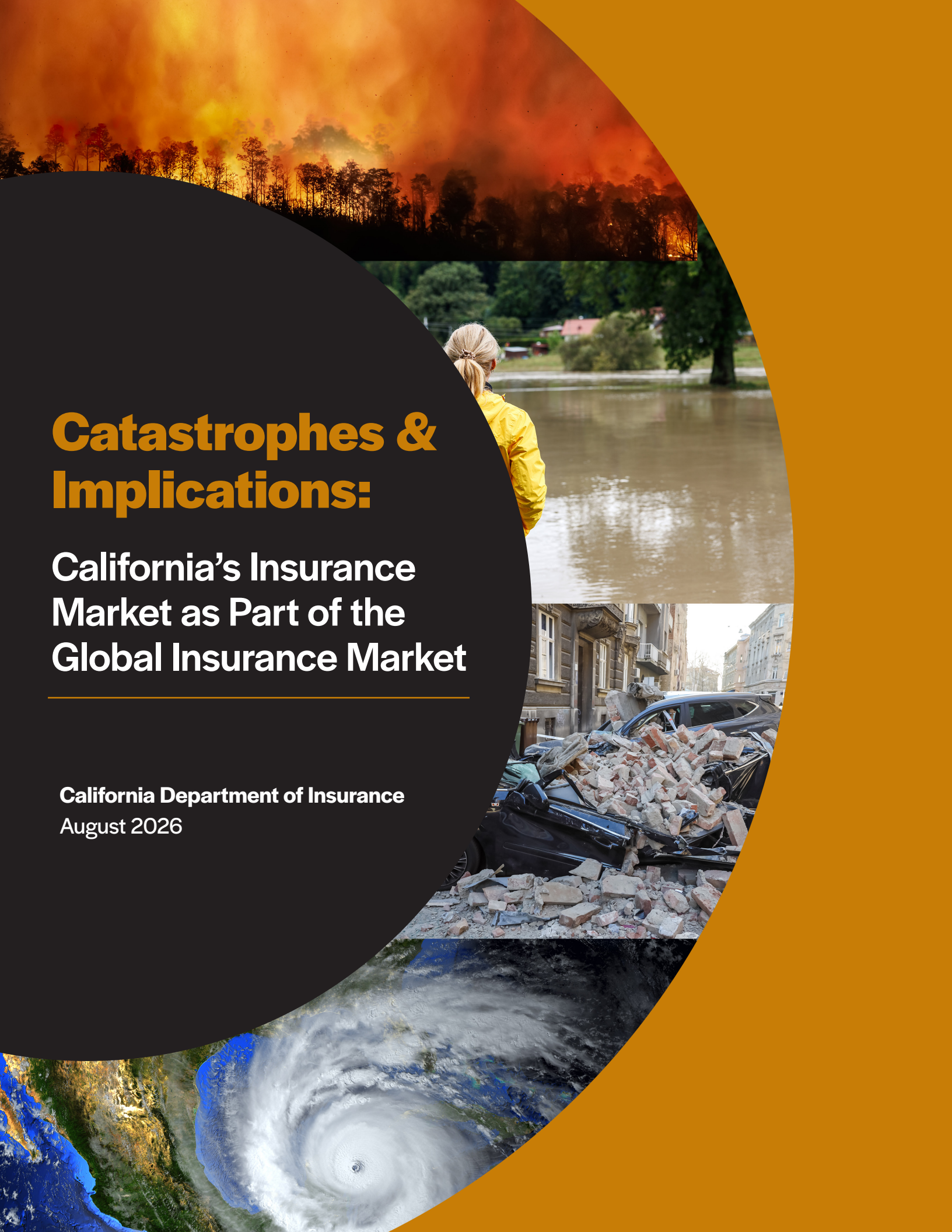




Catastrophes & Implications:

California's Insurance Market as Part of the Global Insurance Market

California Department of Insurance
August 2026



Overview

California's insurance market is operating within one of the most volatile global catastrophe environments in modern history. **Extreme heat, deadly wildfires, historic floods, atmospheric rivers, and emerging Super El Niño conditions** are driving unprecedented losses across the world, the United States, and California. These events are reshaping **reinsurance pricing, capital availability, underwriting appetite, and long-term risk modeling** — all of which directly affect California's ability to maintain a **stable, competitive insurance market**.

This briefing summarizes the recent climatedriven catastrophes impacting global and U.S. markets, outlines the implications for California, and highlights the tools and modernization efforts underway at the **California Department of Insurance (CDI)** and the **National Association of Insurance Commissioners (NAIC)** to meet this moment and keep our market stable, solvent, and competitive for consumers.

Global Climate-Driven Catastrophes

Global catastrophe activity — from record heat and wildfires to floods and storms — is reshaping reinsurance pricing and capacity, directly influencing the cost and availability of insurance in California. European insurers signaling **higher reinsurance costs for 2027** due to cumulative losses. The data below on the scope of catastrophe events is preliminary and subject to changes as conditions develop and updated information becomes available.



Extreme Heat Across Europe – 2026 is the hottest June ever recorded in Western Europe

- More than **1,300 excess deaths** recorded across Europe since June 21, 2026 (according to the World Health Organization).
- France alone has reported nearly **1,000 excess deaths**.
- Some analyses estimate **over 10,000 heat-related deaths** across Europe this summer.



Wildfires Across Europe - Wildfires across southern Europe this summer include three of the largest European fires of the past decade

- Destructive wildfires in **France, Spain, Portugal, Greece, Italy, Croatia, and Norway** since early June 2026.
- France alone has reported **thousands of fires** and major evacuations since mid-June.



Northern Africa – Wildfires & Extreme Heat

- **Algeria, Tunisia, and Morocco** have experienced destructive wildfires and record heatwaves.
- These events add to cumulative catastrophe losses across the Mediterranean basin.



Canada – Wildfires & Flooding

- Nearly **900 wildfires** burning across Canada.
- Flooding events have added to national disaster costs and infrastructure strain.



Australia – Early-Season Bushfire Activity

- Early-season bushfires emerging across multiple states.
- Signals shifting seasonal patterns and adds to global catastrophe totals tracked by reinsurers.



Flooding and Storms in Europe

- Severe flooding in **Germany, Austria, Italy, Slovenia, Albania, and Turkey since the beginning of the year, and the Balkans**.
- Significant damage to homes, agriculture, and critical infrastructure.

U.S. Climate-Driven Catastrophes

Extreme heat, wildfires, floods, and severe convective storms are driving billions in losses across the U.S. and reinforcing that California's risks are part of a broader national pattern affecting capital, underwriting appetite, and reinsurance terms.

Extreme Heat

- Dangerous heat waves across **California, Arizona, Nevada, Texas, New Mexico, Louisiana, and the Midwest** since early June.
- Rising heat-related deaths and sustained night-time temperatures.
- Costs and disruptions for transportation, local government, and infrastructure.

Wildfires

- Significant wildfire activity in **California, Oregon, Washington, Idaho, Montana, New Mexico, Colorado, and Alaska**.
- Tens of thousands of acres burned; billions in economic losses expected.

Floods & Severe Storms

- Catastrophic flooding in **Midwest river basins and the Appalachian mountains**.
- Severe convective storms — hail, tornadoes, straight-line winds — across **Texas, Oklahoma, Kansas, Nebraska, Minnesota, and Wisconsin**.

Super El Niño 2026: Forward Looking Risk

Super El Niño conditions are a forward-looking risk signal for insurers and reinsurers, increasing the probability of back-to-back high-loss years. California preparedness and risk mitigation is critical to upcoming risks.

- Intensified **heatwaves, wildfires, floods, atmospheric rivers, and coastal storm surge** expected.
- Higher likelihood of **back-to-back high-loss years** for global insurers and reinsurers.
- Reinsurance markets preparing for **higher volatility, reduced capacity, and increased pricing**.



Implications for California's Insurance Market

The Sustainable Insurance Strategy (SIS) has begun stabilizing the state's insurance market through the use of wildfire catastrophe models, allowance of California-only reinsurance, rate efficiency reform, and FAIR Plan sustainability measures with insurer commitments to write in wildfire distressed areas.

With Super El Niño and accelerating climate risk, we must accelerate the momentum towards more effective risk reduction and resilience — continuing to invest in risk mitigation, greater risk awareness, and keeping homes and communities safer and insurable.

California faces elevated risk from:

- **Wildfire exposure** in WUI areas
- **Flooding** in river basins and coastal zones
- **Heat-driven infrastructure strain**
- **Global reinsurance tightening**

These pressures can:

- Increase **rate and capital needs to maintain insurance availability**
- Reduce **carrier appetite** in high-risk regions
- Push more policyholders into the **FAIR Plan**, raising concentration and solvency concerns



California's Policy Focus: Stabilization, Mitigation & FAIR Plan Depopulation

California has a clear plan to meet this moment. Through the SIS, stronger regulator oversight of insurer solvency and capital, and a continued focus on mitigation, we are beginning to stabilize the market and reduce reliance on the FAIR Plan. Recent data shows these tools are working and California is turning the corner.

FAIR Plan Update (Q2 2026)

- **FAIR Plan growth slowed again — now under 2% in Q2 2026.**
- This is the **third straight quarter of dramatic slowdown**, signaling the Plan is plateauing, which is the necessary step before beginning to decline.
- **Twelve insurance groups have now filed under SIS**, including a new homeowners insurance company entrant into the California market.
- These insurers are writing in **wildfire-prone areas**, giving homeowners **real options to move off the FAIR Plan**.
- This confirms what CDI experts have been tracking: **California is turning the corner.**

Market Stabilization

- Continued implementation of the **Sustainable Insurance Strategy**.
- Implementation of home hardening and public catastrophe modeling programs to better protect communities.
- Stronger **insurer solvency and reinsurance oversight in the face of climate change**.

Mitigation & Resilience

- Support for **pre-disaster mitigation**, hardened structures, and defensible space.
- Alignment with **NAIC's Model Mitigation Law**.
- Incentivizing mitigation through **rate filings**, long term funding to home hardening program, community wide mitigation programs, and public modeling resources such as California's first public wildfire catastrophe model.

FAIR Plan Depopulation

- Attracting private carriers back into high-risk areas
- Reducing FAIR Plan exposure to protect **solvency**



CDI and NAIC: Tools & Modernization

Regulators today rely on advanced analytics, catastrophe modeling, and real-time data tools to understand emerging risks, stress-test insurer solvency, and improve disaster response.

CDI and the NAIC have built a modern regulatory toolkit that allows us to analyze climate-driven catastrophes, evaluate reinsurance needs, track claims during disasters, and support mitigation programs statewide. These tools help regulators anticipate market pressures, identify vulnerabilities, and ensure insurers remain solvent and able to pay claims when disasters strike.

CDI Modernization under SIS:

- Enhanced **catastrophe modeling**
- New annual reinsurance analysis to update California-only, **reinsurance cost caps** that safeguard against unchecked costs
- More efficient rate-filing data processing

Advanced Solvency Analytics:

- Use of **Scenario Analysis Data** to improve catastrophe stress testing
- Integration of **climate-related financial risk** into solvency and catastrophe analysis

NAIC Natural Catastrophe Risk & Resilience Task Force work:

- Severe Peril Working Group:
Flood Insurance Blueprint to grow insurance options, plan for high rainfall events and reduce community risks.
Quick Connect Communication Guide expands risk awareness to real estate, builders, local governments, and homeowners.
- PreDisaster Mitigation Working Group:
Model Mitigation Law and **Rapid Claims Tracking & Catastrophe Response** applying lessons learned across disasters.



Key Takeaways

The convergence of **record heat, deadly wildfires, historic floods, and emerging Super El Niño conditions** is already reshaping global and U.S. risk profiles. These trends will likely increase pressure on insurance and reinsurance markets in 2026 and beyond.

California must continue focusing on **SIS implementation, market stabilization, mitigation and resilience, FAIR Plan depopulation, and modern analytics and regulatory tools** to ensure a **solvent, competitive, and consumer-protective insurance market** in an era of accelerating climate risk.

This means supporting policies that **reduce risk, invest in mitigation**, and **empower consumers** with the resources, risk awareness, and clear incentives they need to protect their homes and communities -- their most valuable assets.

Now that we have the tools, built through international and state-to-state collaborations, to drive faster risk reduction, fewer losses, and a more solvent and sustainable insurance market, we need to continue being proactive — not reactive — in the face of these growing climate threats.

