

# California Department of Insurance



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# The Insurance Market

- Inflation is creating unprecedented financial stress to insurance markets.
- Increased costs of rebuilding, supplies, materials, auto parts along with labor shortages, among other costs, are affecting insurance markets.
- Reinsurance is harder to find and is costlier as catastrophes grow around the world.
- As risk grows, insurance markets are contracting to protect solvency, meet financial obligations and regulatory mandates.

**Natural disasters & global inflation have increased insured losses and costs worldwide like never before.**



# California Context

**Top 12 Companies =  
85% of State's Homeowners Market**

The property insurance market in the country (specifically in large states like California) is changing quickly.

Since 2022 alone — 7 of top 12 insurance companies have paused or restricted new business despite rate increases approved or pending with Department of Insurance.



# California Context

Insurance Group and Ranking (2022)	Market Share	2023 Rate Increases (Pending & Approved)	Major Action Since 2022
1. State Farm	21.22%	28.1%	Paused new policies
2. Farmers (10 companies)	14.9%	17.7%, 12.5%	Limited new policies to 7,000 per month
3. CSAA (2 companies)	6.9%	18.55% (approved 2021)	
4. Liberty Mutual (6 companies)	6.6%	29%, 10.6%	
5. Mercury	6%	12.6%, 7%	
6. Allstate (5 companies)	6%	39.6%	Paused new policies
7. USAA (4 companies)	5.7%	30.6%, 16.5%, 6.9%, 3%	Restricted underwriting to low-risk only
8. Auto Club	5.1%	20%	
9. Travelers	4.2%	21.7%	Limited new policies
10. American Family (3 companies)	2.8%	22.7%, 6.9%, 6.9%	
11. Nationwide (2 companies)	2.5%	19.9%, 24.5%	Limited new policies
12. Chubb (8 companies)	2.2%		Ceased writing high-value homes with higher wildfire risk, and non-renewed some high-value homes



# California Context

Over past 10 years, homeowners insurance companies have done far worse in California than nationally.

Direct incurred loss ratio (2012-2021)

Countrywide: 59.7%

California: 73.9%

Direct underwriting profit

Countrywide: 3.6%

California: -13.1%

Direct profit on insurance transactions:

Countrywide: 4.2%

California: -6.1%

Direct return on net worth:

Countrywide: 7%

California: 0.8%

*Source: NAIC Profitability Report (released January 2023)*



# How did we get here?

- FAIR Plan has increased to 3% of CA market – becoming the insurer of first resort, not last resort, for many.
- AM Best downgraded outlooks for Top-12 companies like State Farm, AAA, Mercury due to risk concentration in California.
- Insurance companies will not write in high-risk areas, unless they can cover 100% of consumer claims, their expenses, and earn a fair return.
- Rate filings are more complex and can take longer than 6 months to review.
- One entity can unreasonably prolong rate filings – no other state has this.



# **Safer From Wildfires**

**Protect your home or business**

**+**

**Protect the immediate surroundings**

**+**

**Protect the whole community**





# Protect your home or business

- Class A fire-rated roof
- 5-foot ember-resistant zone around the structure
- Noncombustible 6 inches at the bottom of walls
- Ember- and fire-resistant vents
- Double pane windows or added shutters
- Enclosed eaves





# Protect the

# immediate surroundings

- Cleared vegetation and debris from under decks
- Move sheds and outbuildings at least 30 feet away
- Trim trees and remove brush in compliance with state and local defensible space laws



# Protect the whole community

- Neighborhoods can form a Firewise USA community
- Cities, counties, and local districts can become certified as a Fire Risk Reduction Community

# CA FAIR Plan & Wildfire Risk Score

- CA FAIR Plan offering insurance discounts in compliance with Safer from Wildfires Regulation
- CA FAIR Plan offering \$20 million coverage per location for commercial policies, including HOAs
- The Wildfire Risk Score regulations allow consumers to request and appeal your property risk score



# Major Actions to Tackle Climate Change

- Created first “Climate and Sustainability Branch” in country.
- Established “Climate Insurance Working Group” generating CA’s first-ever Climate Insurance Report.
- Partnered with United Nations to launch “CA’s Sustainable Insurance Roadmap”.



# Modernizing Our Insurance Market:

Accessible Insurance for Californians

+

Create a Resilient Insurance Market

+

Protect Communities from Climate Change



# California Sustainable Insurance Strategy

- **Insurance Availability in At-Risk Areas** — Requiring insurance companies to write no less than 85% of homes and businesses in distressed areas identified by Insurance Commissioner.
- **Returning FAIR Plan Policyholders to Market** — With first priority given to homes and businesses following “Safer from Wildfires” regulation.
- **Cat Models/Mitigation** — New models will recognize mitigation and hardening requirements to appropriately price rates and discount benefits; presently not available in current rate making process today.
- **California-only reinsurance costs** — Protecting consumers from paying for other global catastrophes.
- **Modernizing FAIR Plan** — Expanding commercial coverage limits to \$20 million *per structure* closes coverage gaps for HOAs, affordable housing, and infill developments.



# The largest insurance reform since voters passed Proposition 103 in 1988 — informed by thousands of **CONSUMERS** in every county.

- Commissioner Lara and Department of Insurance Outreach Teams have met with more than **122,000 consumers** in person and virtually since 2019.
- More than **2000 meetings, town halls, and events** in all **58 counties** of the state.



**Questions?**  
**1-800-927-4357**  
**[insurance.ca.gov](http://insurance.ca.gov)**

