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CALIFORNIA CONSUMER ALERT

Insurance Commissioner Ricardo Lara

California on Track to Enact Largest Insurance Reform in 30 Years

March 20, 2024 — Insurance Commissioner Ricardo Lara continues progress toward vital regulatory and administrative reforms under his **California Sustainable Insurance Strategy**. Changes to outdated regulations are necessary to improve choices for all Californians. The strategy focuses on making insurance available and affordable, especially in high-risk areas.

Commissioner Lara is moving quickly to implement major reforms by December 2024, in accordance with Governor Newsom's [executive order](#) urging prompt regulatory action to strengthen and stabilize California's insurance marketplace.

Reforms are central to addressing the extraordinary insurance crisis affecting every market across the country. The strategy has been developed with input from countless stakeholders, industry, and environmental leaders along with consumer townhalls held in all 58 counties.

REFORMS:

The **first of several regulatory reforms** aimed at streamlining the Department's rate approval process has been published by the California Office of Administrative Law. The [proposed regulation will improve oversight and handling of insurance rate filings](#). A [public workshop](#) is scheduled for March 26th to gather stakeholder input.

A second regulation has also been released allowing [forward-looking catastrophe modeling to help support wildfire safety and mitigation efforts](#), using the latest technology to better predict climate catastrophes. A [public workshop](#) is scheduled for April 23rd to gather stakeholder input.

ON DECK:

- Proposed regulation to incorporate California-only net costs of reinsurance into rate filings
- Proposed regulation to define distressed areas of the state to ensure insurance companies commit to writing new business in high-risk area
- Proposed Commissioner's order to modernize state's FAIR Plan



California on track to enact the largest insurance reform in over 30 years by December 2024 target date.

RESULTS:

- **More reliable rates**: Insurance consumers will have more stable costs than under outdated current regulations, which have resulted in sudden and steep increases for communities in higher risk of wildfire.
- **Greater availability of insurance**: Insurance companies have committed to increase writing policies if they can better anticipate future losses, rather than making abrupt decisions i.e. non-renew higher-risk policyholders, pause writing, or rapidly increase rates.
- **Stronger regulatory oversight**: The Department of Insurance will have strong regulatory oversight of insurance company commitments, including over catastrophe modeling and net reinsurance costs that are currently being widely used by insurance companies across the nation.
- **Safer communities**: Catastrophe models capture updated efforts taken by federal, state, and local governments, property owners, communities, and utility companies to mitigate the exposure to catastrophic events – encouraging and rewarding mitigation efforts – currently not available for consumers.

PROGRESS:

- With these reforms, insurance companies commit to transition homeowners and businesses from the FAIR Plan back into the normal insurance market, covering all parts of California by writing no less than 85% of their statewide market share in high-risk communities. For example, if a company writes 20 out of 100 homes statewide, it must write 17 out of 100 homes in a distressed area;
- Modernizing the FAIR Plan by further expanding commercial coverage to \$20 million per building to close insurance gaps for homeowners' associations and condominium developments to help meet the state's housing goals and to provide required coverage to other large businesses in the state; and,
- Ordering changes to the FAIR Plan to prevent it from going bankrupt in the case of an extraordinary catastrophic event, including building its reserves and financial safeguards as well as updating and enhancing its customer service procedures.

PUBLIC INPUT:

Commissioner Lara is requesting public input on these proposed regulatory changes. Insurance experts at the Department are also ready to assist you Monday thru Friday from 9AM-5PM. Please contact us directly at 800-927-4357 or through our live chat feature at insurance.ca.gov.