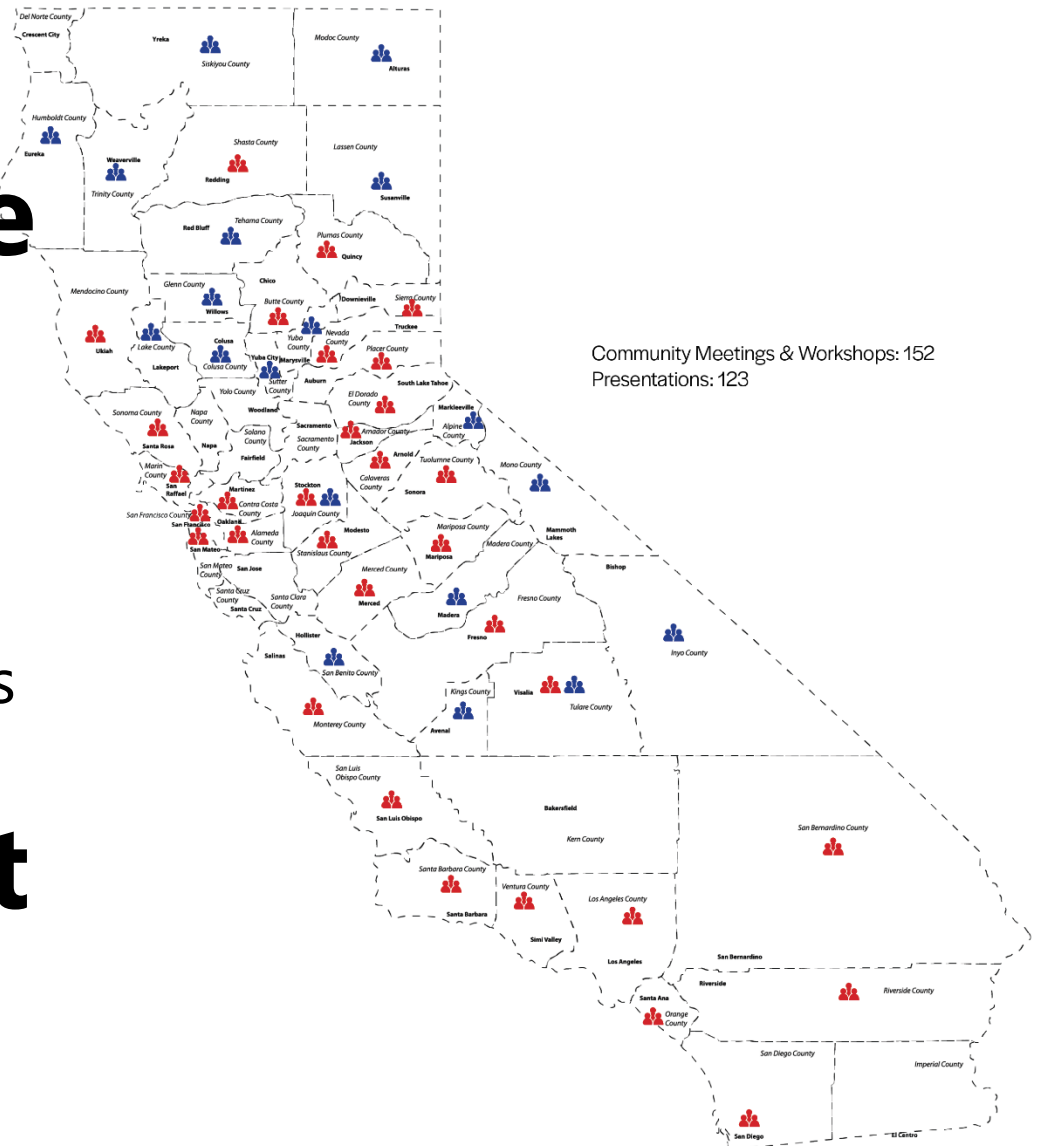


CALIFORNIA DEPARTMENT OF INSURANCE



39 counties at 152 Virtual & In-Person Events



Community Meetings & Workshops: 152
Presentations: 123

RICARDO LARA
INSURANCE COMMISSIONER

California Department of Insurance

California: Largest insurance market in the U.S. and fourth in the world with over

\$340 billion in premium

- Industry incurred loss ratio for homeowners insurance from 1992 to 2020 show profits
 - Last four years include two of the worst years – but bounced back in 2019 and 2020
- ✓ In 2018 operated at 70% in the red
- ✓ In 2017 operated at 101% in the red

Recent homeowners insurance loss ratios

Premium collected vs. losses paid out

2020 38%

2019 33%

2018 170%

2017 201%

RICARDO LARA
INSURANCE COMMISSIONER

California Department of Insurance

INCREASED RISK DRIVING ISSUES

- 10 of the 20 most destructive wildfires in California's history have occurred in the last four years
- As risk increases, the cost of insurance increases and the availability of coverage decreases
- Insurers consider the very recent past to underwrite and to determine rates for the very near future – with \$25 billion in residential and commercial losses in 2017-2018



INSURANCE CONSUMERS SHOULD BE ABLE TO RELY ON THEIR COVERAGE

- Non-renewals are unjust and unfair:
 - No consideration of individual tenure or claims history
 - No consideration of pre-fire mitigation and/or structure “fire hardening”
 - No change in the individual property risk
- No clear statewide standards for a fire resistant structure or mitigated property
- Homeowners don’t know fire risk scores to be able to mitigate their score to find/keep coverage
- Insufficient coverage with FAIR Plan

REDUCING RISK THROUGH PREVENTION AND MITIGATION

The best way to make insurance more available and affordable is to decrease the risk of loss. This includes investing in pre-disaster prevention and mitigation efforts:

- Building Codes
- Fire Resistant Modifications
- Land Use Planning
- Community-wide Abatement
- Defensible Space
- Enhanced Infrastructure
- Wildfire Sensors

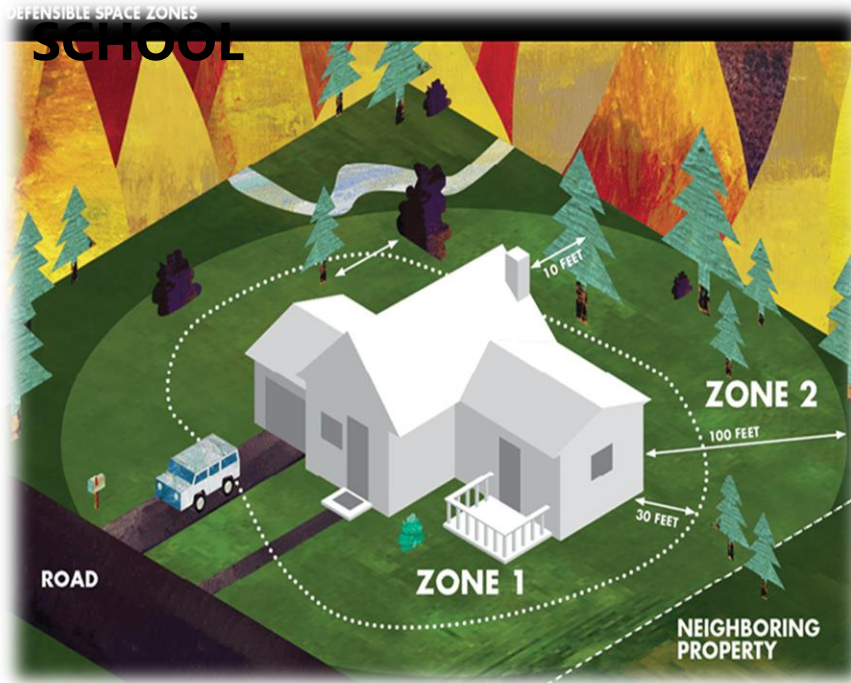


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INSURANCE COMMISSIONER

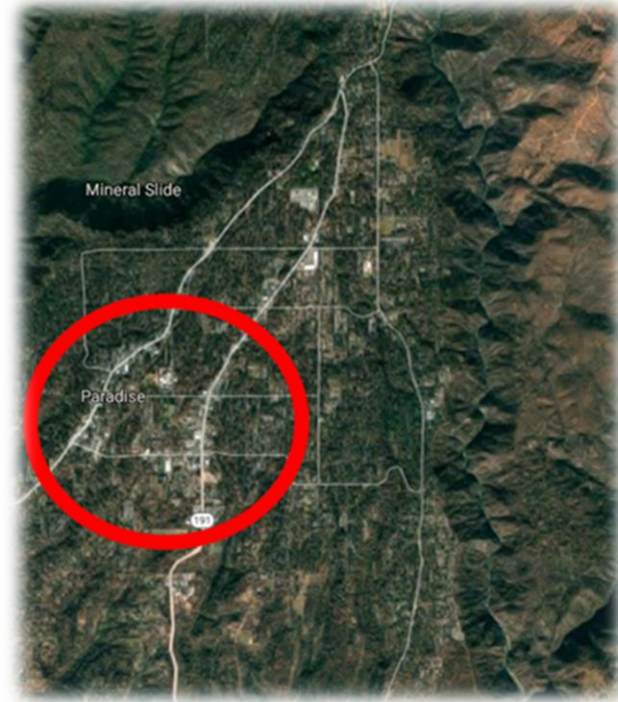
California Department of Insurance

UNDERWRITING

OLD SCHOOL



NEW



Insurers traditionally evaluated homes and businesses based almost entirely on their own characteristics and condition. Today, they must first pass through a filter based on satellite imagery of the region that evaluates slope, fuel load, type of fuel, and access.

Wildfire 'Domino Effect' on Communities



MY ROLE AS INSURANCE COMMISSIONER

- Protect consumers by ensuring a **fair and competitive insurance market**
- **Maintain insurer solvency** through appropriate property and casualty rates, conducting market conduct reviews, resolving consumer complaints, and investigating and prosecuting insurance fraud
- **Enforce the insurance laws of California** – any changes to the insurance code require **legislation**

PROP 103 FUNDAMENTALS

- Proposition 103 requires the "prior approval" of California's Department of Insurance before insurance companies can implement property and casualty insurance rates.
- Our experts review rate filings to ensure fairness for consumers and compliance with California Law
 - Rates cannot be excessive, inadequate, unfairly discriminatory or otherwise in violation of Prop 103

PROP 103 FUNDAMENTALS continued

- Surplus lines are not subject to this protection
- Do not have identical statutory authority to issue moratorium for commercial policies as homeowner policies
- Cannot require/compel/mandate insurers to sell commercial insurance to any given policyholder

MY AGENDA – RISK SCORES

- Require greater transparency for wildfire risk score models for businesses and residential
- Require these models to take into account community and individual mitigation (not all models consider these factors)
- Require these models be open for public review

MY AGENDA – RISK SCORES continued

- Allow consumers to appeal their risk score if they believe it is based upon wrong information
- Give consumers time to address mitigation issues to lower their risk score

MY AGENDA – FAIR PLAN

- Mandated FAIR Plan to increase coverage from \$1.5 million to \$3 million
- Mandated FAIR Plan to accept payments and use of credit with no extra fees to consumers
- Presently working on FAIR Plan commercial fire filing – the first ever filed with CDI – to ensure that consumers are protected and their rates are fair and adequate

MY AGENDA – MOVING FORWARD

- February 2021 – Launched a partnership with Governor Newsom to create hardening measures for insurance incentives – for both homes and communities
- March 2021 – Proposed regulations to release properties' wildfire risk scores to residents AND businesses

MY AGENDA – MOVING FORWARD

- Currently – Strongly supporting state budget investments in fuels management & home and community hardening plus creation of prescribed burn claims fund
- Currently – Supportive of SB 332 (Dodd) to encourage more responsible prescribed burn activities across the state

State budget investments

\$2.6 BILLION for wildfire prevention and response (2019-21)

Working with the Governor's Administration to determine how state and federal grant dollars could be utilized by communities, farmers, and business owners to help mitigate their properties and local

Federal and State Grant Programs for wildfire resilience and prevention

California Climate Investments Fire Prevention Grant Program – 4 year grants

- Hazardous Fuel Reduction
- Fire Prevention Education
- Fire Prevention Planning

FEMA – \$1 Billion National Competitive Grants

- Fire Management Assistance Grants
- Hazard Mitigation Grants Program
- Building Resilient Infrastructure and Communities

Additional Grants Available

- Depts. of Transportation, Agriculture and HUD



QUESTIONS?

1-800-927-4357
insurance.ca.gov

