CALIFORNIA DEPARTMENT OF INSURANCE

# CALIFORNIA DEPARTMENT OF INSURANCE (CDI)

*SUSTAINABLE INSURANCE STRATEGY*



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# CALIFORNIA DEPARTMENT OF INSURANCE

## MISSION:
## TOP PRIORITY CONSUMER PROTECTION

- Enforce regulations on most lines of insurance and maintain insurer solvency
- Sets standards for agents and brokers licensing
- Resolve consumer insurance complaints
- Performs market conduct reviews of insurance companies
- Investigates and prosecutes insurance fraud



# EDUCATIONAL TOPICS

- Home, Renters, and Business Insurance
- Senior Scam Prevention
- Sustainable Insurance Strategy
- Safer from Wildfires
- Low-Cost Auto Insurance Program
- Emergency Preparedness and Recovery
- Market and Legislative Updates

CALIFORNIA DEPARTMENT OF INSURANCE

# HOMEOWNERS INSURANCE



## AVAILABLE INSURERS

- Admitted Market
- Non-Admitted Market
- California FAIR Plan

## ADDITIONAL INSURANCE

- Flood Insurance
- Earthquake Insurance
- Difference in Conditions Policy

# INSURANCE MARKET

- Prop 103 was the last Insurance Reform *(over 30 years ago)*
- Historic Inflation
- Fewer Insurance Options
- Increasing Number of Natural Disasters
- Accelerated growth of the FAIR plan
- Cost of Reinsurance




**TOP 12 COMPANIES DOMINATED 85% OF STATE'S HOMEOWNERS MARKET**

***SINCE 2022 – 7 OF THE TOP 12 INSURANCE GROUP HAD PAUSED OR STOPPED SELLING NEW POLICIES.***

# INSURANCE IN CONTEXT

## CALIFORNIA CONTEXT

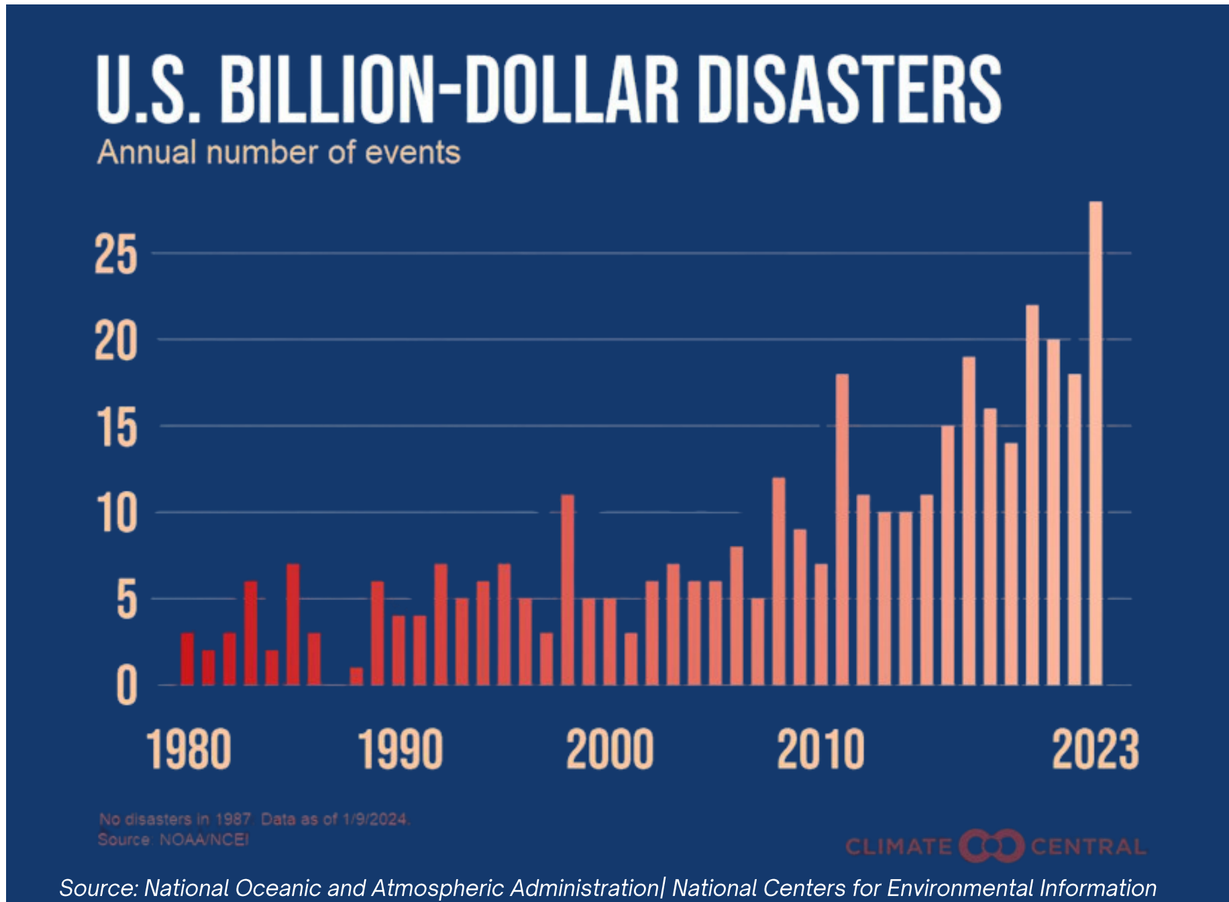
***Over past 10 years, homeowners insurance companies have done far worse in California than nationally.***

***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: National Oceanic and Atmospheric Administration| National Centers for Environmental Information*

# COMMISSIONER‘S RESPONSE

## SAFER FROM WILDFIRES (2022)

Mandates insurers offer premium discounts for homeowners implementing wildfire mitigations while rewarding risk reduction.

## SUSTAINABLE INSURANCE STRATEGY (2023-2024)

Uses catastrophe modeling for precise wildfire risk pricing, factoring in mitigation at property, community, and landscape scales to ensure market stability.

## CALIFORNIA SAFE HOMES GRANT PROGRAM (2025)

Grants for low-income homeowners in high fire hazard severity zones to fund defensible space and home hardening.

# SAFER FROM WILDFIRES

PROTECT THE STRUCTURE, IMMEDIATE SURROUNDINGS & THE WHOLE COMMUNITY



## PROTECT YOUR HOME OR BUSINESS:

- Class A Fire-rated roof
- 5-foot ember-resistant zone
- Noncombustible 6-inch area at the bottom of exterior walls
- Ember and fire-resistant vents
- Upgraded windows (double-paned or added shutters)
- Enclosed eaves



## PROTECT IMMEDIATE SURROUNDINGS:

- Clear vegetation and debris from under decks
- Remove combustible sheds and other outbuildings
- Defensible space compliance (trim trees, remove brush and debris from yard)




## PROTECT THE WHOLE COMMUNITY:

- Achieve community-wide risk mitigation recognition as a Firewise or Fire Risk Reduction Community
- Minimun 8 dwelling units or as big as 2,500 can create an action plan and start being safer together.

# SAFER FROM WILDFIRES




**KEY POINT:**

Fortify homes through Safer from Wildfires one at a time to build wildfire resistant communities.

# SUSTAINABLE INSURANCE STRATEGY

**MODERNIZES INDUSTRY, MAKES INSURANCE ACCESSIBLE, MAINTAINS RESILIENT MARKET & PROTECTS CONSUMERS**



## MAJOR COMPONENTS:

- **CATASTROPHE MODELS** use technology to provide accurate pricing options
- **MODERNIZES** Department's rate review process
- **REQUIRES** insurance companies to write in High Wildfire Severity Zones

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**KEY POINT:**
**AVAILABILITY OF INSURANCE WILL CREATE**

# INSURERS UPDATES

**Under the Sustainable Insurance Strategy, 13 companies have committed to growing in California, with more insurers expected to follow.**

1. **CSAA**
   Effective 3/01/2026
2. **USAA (4 Companies)**
   Effective 4/30/2026
3. **California Casualty**
   Effective 5/1/2026
4. **Mercury**
   Effective 7/1/2026
5. **Pacific Specialty**
   Effective 7/1/2026

**KEY POINT:**
**COMPANIES ARE NOW WRITING IN DISTRESSED AREAS**




# IBHS WILDFIRE PREPARED HOME DESIGNATION

***INSURANCE INSTITUTE FOR BUSINESS AND HOME SAFETY***

## PROGRAM OVERVIEW

**2- LEVELS**
of wildfire-resistant building and landscaping standards

**Requires all upgrades to be completed with no exceptions.**

## DESIGNATION

**3-YEAR DESIGNATION**

**2- Years**
**Annual review**
required
(photos submission)

**Home must reapply for another 3 -year Designation**

## FEES

**Initial submission**
**$125**

**Yearly Review**
**$25**

***(Annual review for max of 2 years)***

To take the survey and obtain more information go to:

**https://wildfireprepared.org/**

# INSURANCE MARKET COMPARISON

## 1994 Northridge Earthquake



- 90% of Insurance companies left the state
- CA Earthquake Authority created
- Despite California experiencing 90% of the nation's earthquakes, only 10-15% of homeowners have earthquake insurance
- Coverage Gap: most California residents opt out of coverage in the event of an earthquake

# INSURANCE MARKET COMPARISON

## 2018 CAMP FIRE - 2025 LA FIRES




- **SAFER FROM WILDFIRES**
  - Mitigation Strategies
  - Wildfire Risk Score Transparency
- **SUSTAINABLE INSURANCE STRATEGY**
  - Integrates Catastrophe Modeling
  - Expands Coverage Availability
  - Modernizes FAIR Plan
  - Streamlines Rate Filings

## LONG-TERM GOAL: PREVENT A TOTAL MARKET COLLAPSE AND STABILIZE INSURANCE RATES

# INSURANCE MARKET COMPARISON

## 4TH LARGEST INSURANCE MARKET GLOBALLY



- **MARKET VOLUME:**
  - California’s insurance market is immense, with annual insurance premiums exceeding $332 billion.
- **GLOBAL POSITION**
  - California’s insurance market ranks behind China, United Kingdom and the rest of the United States
- **U.S. MARKET RANK**
  - California remains the largest insurance market in the United States.

# CA FAIR PLAN

## APPROVED RATE INCREASE – EFFECTIVE OCTOBER 15, 2026

## RENEWING ON OR AFTER OCTOBER 15, 2026?

FAIR plan rate will increase — for their overall book of business - May be higher if you live in a wildfire-risk areas.

*TREAT THE FAIR PLAN COVERAGE AS A TEMPORARY SOLUTION, NOT A PERMANENT HOME INSURANCE CHOICE IF POSSIBLE*

## WHAT DO I DO NOW?

- Consult your broker immediately
- Use our insurance finder tool, top 10 tips for finding residential insurance guide
- Keep records of your improvements and communications
- FIRE SAFETY Improvements receive up to 16.4% discount

## INSURANCE CONCERNS?

CALL: 800-927-4357

WWW.INSURANCE.CA.GOV

# LEGISLATIVE SPONSORED BILLS

## INTERLOCKING LEGISLATIVE STRATEGY FOR IMPROVING POST-DISASTER RECOVERY

1

### SMOKE DAMAGE RECOVERY ACT

**AB1795-Assemblymember Gipson**

Smoke damage restoration standards

2

### DISASTER RECOVERY REFORM ACT

**SB876- Senator Padilla**

Coverage gaps and policy clarity

3

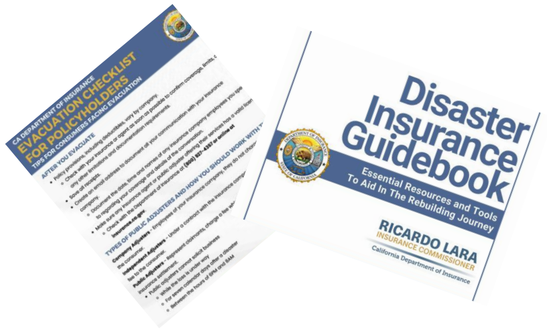
### MAKE IT FAIR ACT

**AB1680-Assemblymember Calderon**

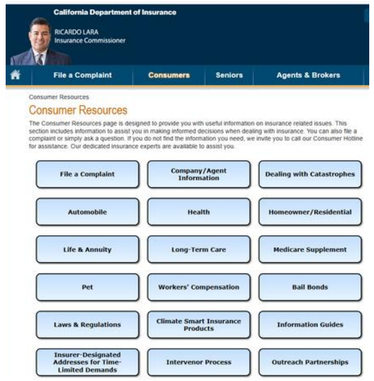
FAIR Plan reform and accountability

# CDI RESOURCES

- Understanding your Policy
- Cancellation Notices
- How to Start a Claim
- Complaints regarding your Claim
- Home Inventory Guide
- Find over 100 Admitted Carriers
- CA Low Cost Auto Insurance Program
- Senior Gateway




- Information Guides
- General Questions
- Home Hardening Grants



# CONSUMER ALERTS

STAY INFORMED SIGN UP!

www.surveymonkey.com/r/CDIALERT

NEW REGULATIONS,

CONSUMER SAFETY EDUCATION,

FRAUD PREVENTION,

UNFAIR AND DECEPTIVE BUSINESS PRACTICES,

INSURANCE ISSUES

# STATEWIDE EDUCATION SERIES

## TOPICS & DATES

## RECORDINGS



Auto Insurance



Life Annuities & Seniors



Residential Insurance



Health Insurance

**Share with your networks.**
**qrco.de/CDI2026**



October 21

Business Insurance

# WE CARE ABOUT WHAT YOU THINK

## PLEASE GIVE US YOUR FEEDBACK:

YOLANDA DIAZ
**Outreach Analyst**
**Community Relations and Outreach**

arco.de/psurvey2
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**For GENERAL QUESTIONS AND POLICY SPECIFIC INQUIRIES:**
**CALL 800-927-4357**
**www.insurance.ca.gov**