

California's Outdated Insurance Regulatory System is **Failing** Consumers

We need forward-looking solutions to **FIX** the insurance **CRISIS**

California is facing a severe insurance crisis, with millions of consumers losing access to the coverage they need to protect their homes, cars and small businesses. That's because California's outdated insurance system is 35 years old, too slow and no longer equipped to handle today's realities like climate-driven extreme weather and record inflation. **The time is NOW to enact forward-looking solutions that protect consumer access to coverage and FIX the insurance crisis!**

Since 2022, the insurance crisis has forced **more than half of the state's top 15 insurers to restrict access to new policies or exit out** of the California market entirely.

Urgent Action is Needed to **FIX the Insurance CRISIS!**

Immediate action must be taken to modernize California's failing insurance regulatory framework by enacting forward-looking solutions that streamline the ratemaking process and remove the obstacles that have led to the current crisis—ensuring ALL Californians have access to the coverage they need.

STREAMLINE the rate review process.

- Delays of up to a year within the Department of Insurance have created a significant market imbalance with insurers collecting premiums that do not adequately cover the costs of providing coverage. In fact, the *National Association of Insurance Commissioners* reported that California's homeowners insurers **paid out more than \$1.13 in claims and expenses for every \$1.00 of premiums collected** from 2013–2022. We must streamline rate reviews to ensure there are adequate resources in the system to cover consumer claims.

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✓ **IMPLEMENT** proven, catastrophe risk modeling.

- Catastrophic risk modeling is a critical tool that uses advanced computer modeling to help more accurately calculate the future risks of catastrophic events like wildfires when determining insurance rates. Used in almost every other state, catastrophe models enables insurers to better account for home and community mitigation efforts. Commissioner Lara has proposed regulations to allow catastrophe modeling in California.

✓ **INCORPORATE** reinsurance into ratemaking.

- Reinsurance is coverage insurers buy to make certain they can cover consumer claims after major catastrophes. Accounting for reinsurance policies in ratemaking—a standard practice in all other 49 states—will increase access to coverage for consumers.

✓ **RESTORE** the California FAIR Plan's solvency.

- The California FAIR Plan, intended to be the state's insurer of last resort, is currently receiving 1,000 applications a day. Now with nearly 375,000 policyholders and a growing exposure to catastrophic losses, the FAIR Plan is on the brink of insolvency. If the FAIR Plan collapses, the state's insurers will be left on the hook to cover up to **\$329 billion** in losses from policies they have never collected premiums for. This growing liability is a key driver behind insurers leaving the state. Reforms are needed to ensure the FAIR Plan is adequately resourced to cover consumer losses—reducing the significant liability that disincentivizes insurers from growing or continuing to serve Californians.

✓ **INCENTIVIZE** community-wide wildfire mitigation.

- Effective wildfire mitigation, like home and community hardening per the Insurance Institute for Business & Home Safety's science-based guidelines, helps stop the spread of wildfires, save lives and protect property. Policymakers must incentivize community-wide wildfire mitigation through state grants, low-interest loans and tax credits. Reducing property damage and risk will help stabilize the market and increase access to affordable insurance coverage for all consumers, especially those in wildfire-prone regions of the state. However, tying mitigation to mandated insurance coverage or discounts without addressing the root cause of the crisis—California's failing insurance regulatory framework—will only drive more insurers out of the market and reduce consumer access to the coverage they need.

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