

Commissioner Lara's Sustainable Insurance Strategy

Status Update

On September 21, 2023, Governor Newsom signed an **executive order** urging Insurance Commissioner Lara to take swift action to address California's insurance crisis and expand coverage options for consumers. In response, Commissioner Lara announced his "**Sustainable Insurance Strategy**"—a package of regulatory reforms aimed at modernizing California's insurance framework—with the goal of implementing each reform by the end of 2024.

OBJECTIVE

Improve rate review timelines

In Process

STATUS

May 2024

CDI entered two new contracts aimed at helping assess and improve the performance of the Rate Regulation Branch.

May 28, 2024

Governor Newsom released **budget trailer bill language** requiring CDI to finish rate reviews within 60 days of rate filing.

August 8, 2024

Governor Newsom pulled his budget trailer bill language.

August 9, 2024

Commissioner Lara issued a Bulletin requiring CDI to finish rate reviews within 120 days of rate filing.

Allow use of catastrophe models

COMPLETED

Awaiting Implementation

November 14, 2024

CDI filed final "Catastrophe Modeling" regulation to the Office of Administrative Law for approval.

December 13, 2024

The Office of Administrative Law filed the final regulation with the Secretary of State—concluding the rulemaking process.

Next Steps

- CDI must approve catastrophe models for use, then insurers can begin filing rate plans based on approved models.
- CDI must calculate 85% market share requirement and update the definition of "wildfire-distressed areas."
- CDI must approve rating plans.

Incorporate reinsurance costs into ratemaking

COMPLETED

Awaiting Implementation

May 15, 2024

Commissioner Lara announced an actuarial firm contract.

January 14, 2025

The Office of Administrative Law filed the final regulation with the Secretary of State—concluding the rulemaking process.

Next Steps

- CDI must determine the industry average cost of reinsurance, then insurers can begin filing rate plans based on approved net cost of reinsurance.
- CDI must calculate 85% market share requirement and update the definition of "wildfire-distressed areas."
- CDI must approve rating plans.

OBJECTIVE

STATUS

Depopulate the FAIR Plan

—Require insurers to write 85% of their market share in wildfire-distressed areas and prioritize policyholders using “Safer from Wildfires” guidelines.

In Process

December 13, 2024

CDI proposed this requirement as a condition of insurers utilizing the Catastrophe Modeling and Reinsurance regulations detailed above.

Next Steps

- CDI must calculate 85% market share requirement and update the definition of “wildfire-distressed areas.”

Increase rate application requirements

COMPLETED

February 9, 2024

Draft “Complete Application” regulations released.

September 12, 2024

CDI filed final “Complete Application” regulations to the Office of Administrative Law for approval.

October 8, 2024

The Office of Administrative Law filed the final regulation with the Secretary of State —concluding the rulemaking process.

Modernize the FAIR Plan

—Expand commercial coverage and establish safeguards to prevent insolvency.

In Process

July 26, 2024

CDI announced an agreement with the FAIR Plan to issue a new Plan of Operation that will expand commercial coverage and establish financial safeguards.

September 3, 2024

CDI released a Bulletin outlining insurer recoupment procedures in the event of a FAIR Plan assessment.

Increase transparency in the Intervenor Process

In Process

October 2023

CDI made prior intervenor filings publicly available on CDI’s website.

Expand Home and Community Wildfire Mitigation

On-Going

June 2020

Ongoing CA budget allocation for home hardening, mitigation inspectors, forest health projects and fire prevention grants.

October 2022

CDI’s “Safer from Wildfire” discount regulations adopted.