

# 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

### STATUS

Improve rate review timelines

In Process

#### 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.

Cat Modeling

COMPLETED

Awaiting Implementation

#### December 13, 2024

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

#### March 2025

CDI updated the definition, zip codes and counties designated as "wildfire-distressed areas."

#### July 2025

CDI approved catastrophe models for use in filing rate plans.

#### Next Steps

- ☐ Insurers must write 85% of their market share in "wildfire-distressed areas" or grow by 5% in those designated areas.
- ☐ Insurers can begin filing rate plans based on approved models.
- ☐ CDI must approve rating plans.

Reinsurance

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.

#### March 2025

CDI updated the definition, zip codes and counties designated as "wildfire-distressed areas."

#### June 2025

CDI developed and released the Net Cost of Reinsurance (NCOR).

#### Next Steps

- ☐ Insurers must write 85% of their market share in "wildfire-distressed areas" or grow by 5% in those designated areas.
- ☐ CDI must approve new rate plans that account for the NCOR.

## OBJECTIVE

## STATUS

### Depopulate the FAIR Plan

—Require insurers to write 85% of their market share in wildfire-distressed areas.

**In Process**

#### December 13, 2024

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

#### March 2025

CDI updated the definition, zip codes and counties designated as "wildfire-distressed areas."

#### Next Steps

- ☐ Insurers must write 85% of their market share in "wildfire-distressed areas" or grow by 5% in those designated areas.

### Increase rate application requirements

**COMPLETED**

#### October 8, 2024

The Office of Administrative Law filed the final "Complete Application" regulations 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.

#### February 11, 2025

The FAIR Plan levied a \$1 billion assessment on admitted insurers to help cover the cost of Southern California wildfire losses.

#### February 11, 2025

CDI released updated guidance on policyholder 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.

#### February 6, 2025

Governor Newsom issued an Executive Order directing the State Board of Forestry to adopt "Zone 0" regulations—requiring 5 ft. of defensible space for structures located in the highest fire severity zones.

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