

STATE OF CALIFORNIA'S INSURANCE MARKET

Outdated regulatory system & decades of market imbalance have led to today's insurance availability crisis. More action is needed to restore California's insurance market.

California is facing a severe insurance crisis—leaving millions of consumers struggling to secure coverage for their homes, cars and businesses. **For over a decade, California's outdated regulatory framework has forced insurers to pay out more in claims than they collect in premiums—creating extreme market imbalance and threatening consumer access to coverage.** The devastating wildfires in Southern California reinforce the urgent need for reforms to stabilize California's insurance market and protect access to coverage for everyday claims and catastrophic disasters alike.

Since 2022, more than half of the top 15 insurers have been forced to restrict access to new policies or exit out of the California market entirely.

Challenges Facing California's Insurance Market

- **Outdated Regulatory System:** California's outdated regulatory framework is 35 years old, too slow to respond to rapidly evolving conditions, and not equipped to handle today's climate and economic realities. Significant delays in the rate review process—often up to a year or more—have resulted in insurers collecting premiums that do not adequately reflect future risks or cover the costs of consumer claims. **In fact, California's homeowner insurers paid out \$1.15 in claims for every \$1.00 they collected in premiums between 2014-2023.**
- **Increase in Climate Driven Extreme Weather Events:** Extreme weather, including catastrophic wildfires and flooding, have increased in the last 10 years—causing tens of billions of dollars in losses to communities across California and substantially increasing the risk and cost of providing insurance. Yet California's regulatory structure is not designed to cover today's extreme weather realities.
- **Pressure on the FAIR Plan:** Even before the Southern California wildfires, the California FAIR Plan was teetering on the brink of insolvency. Now, the pressure has intensified, and the FAIR plan is running out of funds to cover claims from the recent wildfires. The FAIR Plan recently assessed admitted insurers \$1 billion to help pay claims—even though insurers do not collect premiums from FAIR Plan customers, and they have already paid more than \$10 billion in claims for their own customers (with tens of billions to come when the rebuild process begins). The financial pressures on the FAIR Plan will grow exponentially as wildfire season approaches. Long-term reforms are needed to sustain the FAIR Plan's viability.
- **Record Inflation:** Inflation and supply chain pressures have driven up the costs of home and auto repairs and replacements. According to the *National Association of Home Builders*, **costs of construction materials have increased 36% since 2020. Auto repair costs have increased by nearly 20% this year alone**, according to the *Consumer Price Index*.

Why This Matters

California's insurance market was already severely imbalanced before the Southern California wildfires, and the crisis is set to deepen as these fires are projected to become the costliest insured wildfire event in history, globally. **The declining availability of property insurance in California not only restricts consumer choice but also exacerbates the state's ongoing housing and affordability crises.**

The New York Times

"The California insurance market has been balanced on a knife edge."

Nancy Watkins, *principal actuary with the Property and Casualty Practice at Milliman*

[January 8, 2025](#)

San Francisco Chronicle

"We're having one of the worst-case scenarios play out right now."

Michael Wara, *a senior research scholar at Stanford's Woods Institute for the Environment*

[January 9, 2025](#)

©CBS NEWS

"Habitat For Humanity struggles to sell affordable houses amid California insurance crisis"

[March 8, 2024](#)

Immediate action must be taken to fix California's failing insurance regulatory framework to remove the obstacles that have led to the insurance crisis.

The American Property Casualty Insurance Association is committed to working alongside Commissioner Lara, Governor Newsom and legislative leaders on immediate and long-term solutions, including the **implementation of Commissioner Lara's Sustainable Insurance Strategy** and **protecting the FAIR Plan's viability**, to address this crisis and restore a healthy, sustainable insurance market.