

California Department of Insurance



Mary Beth Bykowsky

Outreach Analyst

Community Relations and Outreach Branch





ROLE OF INSURANCE COMMISSIONER



RICARDO LARA
INSURANCE COMMISSIONER

California Department of Insurance

- **Protect Consumers**
- **Maintain Insurer Solvency**
- **Perform market conduct reviews**
- **Set Standards for agents and broker licensing**
- **Resolve consumer complaints**
- **Investigate and Prosecute insurance fraud**
- **Enforce the insurance laws of California**

The Insurance Market

- Inflation is creating unprecedented financial stress to insurance markets.
- Increased costs of rebuilding, supplies, materials, auto parts along with labor shortages, among other costs, are affecting insurance markets.
- Reinsurance is harder to find and is costlier as catastrophes grow around the world.
- As risk grows, insurance markets are contracting to protect solvency, meet financial obligations and regulatory mandates.

Natural disasters & global inflation have increased insured losses and costs worldwide like never before.



California Context

**Top 12 Companies =
85% of State's Homeowners Market**

The property insurance market in the country (specifically in large states like California) is changing quickly.

Since 2022 alone — 7 of top 12 insurance companies have paused or restricted new business despite rate increases approved or pending with Department of Insurance.



California Context

Insurance Group and Ranking (2022)	Market Share	Major Actions in Homeowner Policies 2023
1. State Farm	21.22%	Paused new policies
2. Farmers (10 companies)	14.9%	Limited new policies to 7,000 per month
3. CSAA (2 companies)	6.9%	
4. Liberty Mutual (6 companies)	6.6%	
5. Mercury	6%	
6. Allstate (5 companies)	6%	Paused new policies
7. USAA (4 companies)	5.7%	Restricted underwriting to low-risk only
8. Auto Club	5.1%	
9. Travelers	4.2%	Limited new policies
10. American Family (3 companies)	2.8%	
11. Nationwide (2 companies)	2.5%	Limited new policies
12. Chubb (8 companies)	2.2%	Ceased writing high-value homes with higher wildfire risk, and non-renewed some high-value homes



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: NAIC Profitability Report (released January 2023)



How did we get here?

- FAIR Plan has increased to 3% of CA market – becoming the insurer of first resort, not last resort, for many.
- AM Best downgraded outlooks for Top-12 companies like State Farm, AAA, Mercury due to risk concentration in California.
- Insurance companies will not write in high-risk areas, unless they can cover 100% of consumer claims, their expenses, and earn a fair return.
- Rate filings are more complex and can take longer than 6 months to review.
- One entity can unreasonably prolong rate filings – no other state has this.



Safer From Wildfires

Protect your home or business

+

Protect the immediate surroundings

+

Protect the whole community





Protect your home or business

- Class A fire-rated roof
- 5-foot ember-resistant zone around the structure
- Noncombustible 6 inches at the bottom of walls
- Ember- and fire-resistant vents
- Double pane windows or added shutters
- Enclosed eaves



Protect the

immediate surroundings

- Cleared vegetation and debris from under decks
- Move sheds and outbuildings at least 30 feet away
- Trim trees and remove brush in compliance with state and local defensible space laws



Protect the whole community

- Neighborhoods can form a Firewise USA community
- Cities, counties, and local districts can become certified as a Fire Risk Reduction Community

CA FAIR Plan & Wildfire Risk Score

- Since August the CA FAIR Plan began offering insurance discounts
- The CA FAIR Plan is offering 20 million dollar coverage per location for commercial policies, including HOAs
- The Wildfire Risk Score regulations allow consumers to request and appeal your property risk score



California Sustainable Insurance Strategy

- **Insurance Availability in At-Risk Areas** — Requiring insurance companies to write no less than 85% of homes and businesses in distressed areas identified by Insurance Commissioner.
- **Returning FAIR Plan Policyholders to Market** — With first priority given to homes and businesses following “Safer from Wildfires” regulation.
- **Cat Models/Mitigation** — New models will recognize mitigation and hardening requirements to appropriately price rates and discount benefits; presently not available in current rate making process today.
- **California-only reinsurance costs** — Protecting consumers from paying for other global catastrophes.
- **Modernizing FAIR Plan** — Expanding commercial coverage limits to \$20 million *per structure* closes coverage gaps for HOAs, affordable housing, and infill developments.



Shopping tools available from the Department of Insurance insurance.ca.gov

California Department of Insurance

RICARDO LARA
Insurance Commissioner

File a Complaint Consumers Seniors Agents & Brokers

Consumers / Types of Insurance / Home/Residential Insurance

Home/Residential Insurance

Shop Around

Whether you are interested in purchasing, reviewing or replacing homeowners, renters, condominium or mobile home insurance, it is important to shop and compare insurance products just like you would when shopping for any other important consumer purchase. Since residential insurance often protects your largest financial investment, plan on spending some time to conduct a search of the insurance marketplace.

The California Department of Insurance (CDI) provides several information guides, tips and tools to help you understand home/residential insurance so that you can make the best decision for your situation. If you do not find the information you need, we invite you to call our [Consumer Hotline](#) for assistance. Our dedicated insurance experts are available to assist you.

Top 10 Tips for Finding Residential Insurance	Residential Insurance Company Contact List	Companies Offering Discounts for Fire Hardened Homes
Compare Premiums	Homeowners Coverage Comparison Tool	Home Insurance Finder
List of Carriers Offering DIC Policies	Companies Offering EQ Coverage	Consumer Complaint Study
Residential Informational Guides	Insurance Company Profiles	

Top Ten
Tips



Insurance
Finder
Tool



Questions? File a Complaint

**1-800-927-4357
insurance.ca.gov**

