# California Department of Insurance



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#### ROLE OF INSURANCE COMMISSION



- 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%

\* OF CALIFOLITY

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

4

Protect the immediate surroundings

+

Protect the whole 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

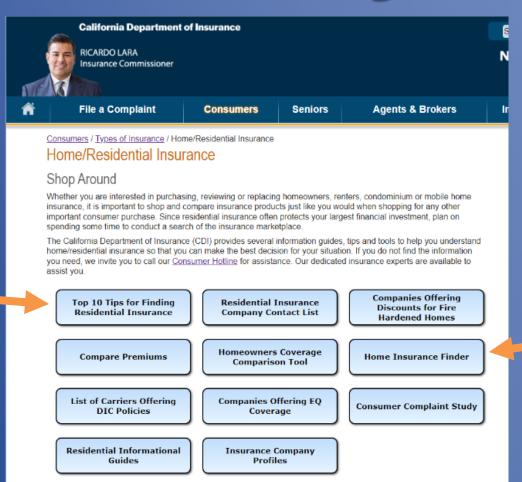




### California Sustainable Insurance Strategy

- 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



Insurance Finder \_\_ Tool



Top Ten

Tips

# Questions? File a Complaint

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

