



Commissioner Lara announces California Sustainable Insurance Strategy, September 21, 2023

Lara

- CA's insurance market is the nation's largest and a critical part of our economy
- This problem is complex and global in nature
- CA had 9/10 largest fires in history
- People cannot get the insurance they need today
- If the FAIR Plan goes insolvent, insurance companies are on the hook, the uncertainty is driving companies to not offer insurance, the credit rating agency has downgraded top companies
- Unlike public utility, insurance companies can legally refuse to write policies
- We need to update regs and have them focus on current market conditions
- We have held meetings in all counties since 2019
- A modern insurance market incentivizes risk and long-term strategy
- This will:
 - We will increase availability in wildfire risk areas using prior approval authority, writing no less than 85%, under this agreement a company will write an average of 85% of the market insurance using data-informed approach
 - Harden homes
 - Clearinghouse program can help reduce overall numbers, and will help farmers and ranchers as well
 - Will address climate crisis – will use catastrophe models, mitigation and transparency
 - Will require insurance companies to offer discounts and increased transparency for home hardening
 - Will explore CA ONLY reinsurance costs – this is something many companies are using to write
 - Under this agreement, CA will not pay for wildfire or hurricanes from other states
 - Will continue to modernize FAIR Plan with limits to \$20m per structure
 - CDI will maintain oversight on rate review, catastrophe modeling, and rate agreements, timely review of rate change application
 - CDI will control regulatory process
 - Prop 103 allows for public participation; we need intervener reform to make sure we have more representation from communities affected
 - Making compensation awards for interveners more visible and accessible on our website
 - This more focused efficient approach will strengthen rates and help with delays
 - Timeline is immediate and urgent, all these reforms will be completed by Dec 2024
- We are responding to climate change like never before
- Thank you to the consumer champions at CDI, rate reg attorneys, consumer services specialist, outreach teams
- Thank you all for being innovative and embarking on this with me
- This will not be easy or happen overnight, we are in uncharted territory

Q&A (Could not hear the questions but captured Lara's responses)

Lara

- It will allow us to modernize the way we look at risk and how consumers calculate mitigation
- We will make sure we have a public process
- CDI will be able to verify models to ensure accuracy
- Allows to be more clear on where the risk is and allows us to verify
- We can no longer rely on historical data, by doing this we are putting citizens at risk
- 85% of the market will be in wildfire-prone areas
- They will submit rate filings now so they can quickly start writing
- This is a great day for consumers, we can get them out of the FAIR Plan and into the consumer market
- The EO allows us to move quickly as we set regs
- The EO helps with the sense of urgency, people want options – we are getting a historical commitment for them to write 85%
- We are giving incentives to harden homes to save lives, communities and their investments
- We can't tackle affordability until we tackle availability and that is what we are doing here today
- We have to rethink where we build and how we build but what we are also seeing is communities that meet all the standards and codes still could not find insurance
- In order to sell homes, you have to be able to find insurance
- We will have to look at the latest building materials and codes
- Of insurance companies' entire footprint, 85% of their portfolio – they are committed to writing in fire-distressed areas which means guaranteed availability
- Fully implement all of these changes by Dec 2024
- If they want to use catastrophic models they have to adhere to these regs to get that rate, we will claw back if they don't, this will keep them honest