

# California's Insurance Market is in **CRISIS**

We must act now to **FIX** the home and auto coverage crisis

California is facing a severe insurance coverage crisis, with millions of consumers losing access to the coverage they need to protect their homes, cars and businesses. Our outdated insurance regulatory framework is not equipped to handle today's realities, including climate-driven extreme weather and record inflation. Governor Newsom, Insurance Commissioner Lara and Legislative leaders have all expressed the need for immediate and urgent action. It's time to act NOW on comprehensive reforms to **fix** the insurance crisis!

Since 2022, the insurance market crisis has forced **seven of the top 12 insurance companies to restrict access to new policies or exit out** of the California market entirely.

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“it is critical for the Insurance Commissioner to act quickly to help stabilize the state's marketplace.”

Governor Gavin Newsom  
(Sept. 21, 2023)

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“The current system is not working...”

Insurance Commissioner Ricardo Lara  
(Sept. 21, 2023)

## What's Causing the Insurance Coverage Crisis?

- California's outdated insurance framework is 35 years old, too slow to respond to rapidly evolving conditions, and not equipped to handle today's climate and economic realities.
- Extreme weather, including catastrophic wildfires and flooding, is causing tens of billions of dollars in losses to communities across the state – substantially increasing the risk and cost of providing insurance.
- Inflation and supply chain pressures are driving up the costs of home and auto repairs and replacements. According to the *National Association of Home Builders*, costs of construction materials have increased **33%** since 2020. Auto repair costs have increased by almost **20%** this year alone, according to the *Consumer Price Index*.

California's insurers **paid out more than \$1.13 in claims and expenses for every \$1.00 in premiums from 2012 - 2022.**

# Urgent Action is Needed NOW to **FIX** the Insurance Crisis!

Millions of California families are in jeopardy of losing access to coverage

We need to modernize California's outdated insurance framework to reflect today's realities by streamlining the rate-making process and removing the obstacles that have led to the current crisis.

A broad coalition of organizations supports a comprehensive reform package of forward-looking solutions that will help restore balance in California's insurance market – ensuring ALL consumers have access to coverage.



- **Implement proven, catastrophe risk modeling.**

California prohibits the use of advanced computer modeling that more accurately calculates ongoing and future risks of catastrophic events like fires and floods when determining insurance rates. Catastrophic risk modeling is used in almost every other state and enables providers to project consumer claims more accurately and better account for home and community mitigation efforts.

- **Include the use of reinsurance in ratemaking.**

Reinsurance is coverage insurance providers buy to ensure they can cover the costs of consumer claims. Allowing providers to account for reinsurance – a standard practice in all other 49 states – will help increase access to coverage for consumers.

- **Streamline the rate review process.**

The rate review process is currently delayed up to a year or more – leaving insurers collecting premiums that do not adequately cover the costs of providing coverage. According to a report by the *National Association of Insurance Commissioners*, California's insurers **paid out more than \$1.13 in claims and expenses for every \$1.00 of premiums** from 2012 - 2022. We must expedite the review process by enforcing statutory timeframes to ensure there are sufficient resources to cover consumer claims.

- **Reform the California FAIR Plan to prevent insolvency.**

California's FAIR Plan, the state's insurer of last resort, is just one catastrophe away from insolvency due to inadequate assets and financial safeguards. Reforms are needed to allow for emergency assessments of policyholders and the ability to issue bonds to help cover consumer claims in the event of catastrophic damages or if the state's plan becomes insolvent.

- **Expand community-wide wildfire mitigation.**

Proactive wildfire mitigation like home hardening and establishing defensible space that prevents ember ignition around dwellings must be undertaken at the community level to effectively reduce the risks of wildfires spiraling out of control. Policymakers must expand comprehensive community-wide wildfire mitigation in addition to a home-by-home approach.

**FIX the Insurance Coverage Crisis!**

[FixTheInsuranceCrisis.com](https://www.FixTheInsuranceCrisis.com)