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[California to allow catastrophe modeling for insurance rates, raising concerns about premium hikes](https://uphelp.org/california-to-allow-catastrophe-modeling-for-insurance-rates-raising-concerns-about-premium-hikes/)

CBS 8

SAN DIEGO — California's Insurance Commissioner Ricardo Lara has announced a new "Sustainable Insurance Strategy" that will allow insurance companies to use catastrophe modeling to determine wildfire risk and set rates. This move, aimed at stabilizing the insurance market in high-risk areas, could potentially lead to higher premiums for homeowners and renters in the short term.

"All over the state people are losing their insurance," said Amy Bach of the non-profit United Policyholders.

The decision comes after years of devastating wildfires, including the Los Angeles wildfire in January, which have prompted many insurance companies to pull out of California. The approval of the state's first-ever wildfire catastrophe model is expected to encourage more insurers to write policies in the state.

"Insurers have been using these models all over the country in every other state," Bach said

These computer-generated models incorporate historical wildfire data, climate trends, engineering research, and mitigation efforts to provide a more accurate assessment of wildfire risk. While the insurance commissioner believes this will help stabilize rates in the long term, consumer advocates have expressed concerns.

"Insurers have made a very strong case that they need to be able to use catastrophe models. As a consumer advocate, we are worried that those models will cause people's rates to go higher," Bach told CBS 8.

Under the new plan, insurance companies using these models will be required to write more policies in wildfire-distressed areas and can no longer focus solely on the safest neighborhoods.

In a statement, Commissioner Ricardo Lara said, “This closes one of the biggest coverage gaps across the state. Under existing regulations, insurers have raised rates without guaranteeing coverage or committing to Californians, causing distress for homeowners. That ends now.”

Bach acknowledged the potential benefits but remained cautious.

“This is a solution that we are going to try, but we will be of course watching out for consumers all the way,” she said.

While California is the last state to allow catastrophe modeling for setting insurance rates, it is the only one requiring insurers to commit to writing more policies in higher-risk areas under this new plan.

The approved model is created by insurance consultant Verisk. However, Commissioner Lara is also sponsoring legislation for universities to develop the nation’s first public catastrophe model for wildfires, which could help homeowners understand how to lower their risk and compare against private models.

Despite concerns about potential rate increases, Bach acknowledged the inevitability of rising costs due to climate change.

“We are going to see rates go up no matter what,” she added. “We are in a new era with these severe convection storms and wildfires in January, and it’s just that inconvenient truth that it costs money. Climate change has a price tag.”