

Commissioner Lara announces Sustainable Insurance Strategy to improve state's market conditions for consumers

California Department of Insurance

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Governor Newsom issues executive order — comprehensive package of executive actions aimed at immediate and lasting changes to protect insurance consumers from climate change

Insurance Commissioner Ricardo Lara announced a package of executive actions aimed at improving insurance choices and protecting Californians from increasing climate threats while addressing the long-term sustainability of the nation's largest insurance market. The largest insurance reform since state voters' passage of Proposition 103 nearly 35 years ago, California's Sustainable Insurance Strategy is a comprehensive approach building on Commissioner Lara's multi-year effort to modernize California's insurance market after meeting with thousands of Californians since he took office in 2019.

California Governor Gavin Newsom today issued an [executive order](#) urging prompt regulatory action in support of Commissioner Lara's actions for communities affected by climate change.

The actions announced today are aimed at addressing problems fueled by climate change and being experienced by states across the nation including global inflation and increased costs for rebuilding that have led to several insurance companies pausing coverage for writing new homeowners and commercial insurance policies, non-renewing existing consumers, and increasing rates to maintain their financial stability. Unlike public utilities, which are required by law to cover all consumers, insurance companies

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will not write insurance, especially in high-risk areas, unless they are able to ensure they have the capital and reserves to fully meet all insurance claims submitted by consumers, cover their expenses, and earn a fair return. Insurance company actions following multiple years of major wildfires and winter storms have pushed more people to the FAIR Plan, which is intended as California's insurer of last resort but has become the only option in some areas of the state.

"We are at a major crossroads on insurance after multiple years of wildfires and storms intensified by the threat of climate change. I am taking immediate action to implement lasting changes that will make Californians safer through a stronger, sustainable insurance market," said Commissioner Lara. "The current system is not working for all Californians, and we must change course. I will continue to partner with all those who want to work toward real solutions."

"This is yet another example of how climate change is directly threatening our communities and livelihoods. It is critical that California's insurance market works to protect homes and businesses in every corner of our state," said Governor Newsom. "A balanced approach that will help maintain fair prices and protections for Californians is essential. I look forward to continuing to work with Commissioner Lara and others to strengthen our marketplace and protect Californians."

Key regulatory elements of the plan include:

- Executive action by Commissioner Lara to transition homeowners and businesses from the FAIR Plan back into the normal insurance market with commitments from insurance companies to cover all parts of California by writing no less than 85% of their statewide market share in high wildfire risk communities. For example, if a company writes 20 out of 100 homes statewide, it must write 17 out of 100 homes in a distressed area;
- Giving FAIR Plan policyholders who comply with the new Safer from Wildfires regulation first priority for transition to the normal market, thus enhancing the state's overall wildfire safety efforts;
- Expediting the Department's introduction of new rules for the review of climate catastrophe models that recognize the benefits of wildfire safety and mitigation actions at the state, local, and parcel levels;
- Directing the FAIR Plan to further expand commercial coverage to \$20 million per building to close insurance gaps for homeowners associations and condominium developments to help meet the

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- state's housing goals and to provide required coverage to other large businesses in the state;
- Holding public meetings exploring incorporating California-only reinsurance costs into rate filings;
- Improving rate filing procedures and timelines by enforcing the requirement for insurance companies to submit a complete rate filing, hiring additional Department staff to review rate applications and inform regulatory changes, and enacting intervenor reform to increase transparency and public participation in the process;
- Increasing data reporting by the FAIR Plan to the Department, Legislature, and Governor to monitor progress toward reducing its policyholders; and,
- Ordering changes to the FAIR Plan to prevent it from going bankrupt in the case of an extraordinary catastrophic event, including building its reserves and financial safeguards.

California's Sustainable Insurance Strategy builds on actions that Commissioner Lara has taken including enacting regulations under his authority and sponsoring legislation to improve insurance benefits:

- Enacting the [Safer from Wildfire Regulation](#): Commissioner Lara has mandated insurance companies to recognize and reward wildfire safety and mitigation efforts made by homeowners and businesses. His new regulation requires insurance companies to submit new rates that recognize the benefit of safety measures such as upgraded roofs and windows, defensible space, and memberships in community-wide programs such as Firewise USA and the [Fire Risk Reduction Community](#) designation developed by the state's Board of Forestry and Fire Protection. It further requires insurance companies to provide discounts to consumers that meet various elements of the Safer from Wildfires framework and to provide consumers with their property's "wildfire risk score," including a right for consumers to appeal that score.
- Modernizing the FAIR Plan: Commissioner Lara continues to reform the FAIR Plan by expanding its coverage options and ensuring wider availability for its policyholders, including expanding residential and commercial coverage limits for the first time in 25 years to keep pace with increased costs. His [agreement with the FAIR Plan](#) increased its commercial coverage limit to \$20 million per location for businesses unable to find coverage in the normal insurance marketplace.
- Promoting Policyholder Security through Moratoriums on Non-renewals and Cancellations: Under a law written by then-Senator Lara, the Commissioner has [protected more than 4 million people](#) statewide since 2019 through mandatory one-year moratoriums on insurance companies cancelling or non-renewing residential insurance policies in certain areas within or adjacent to a fire

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perimeter after a declared state of emergency is issued by the Governor.

- [Sponsoring New Insurance Protections](#): Commissioner Lara-sponsored bills signed into law by the Governor — despite opposition from insurance companies — will mean quicker payouts for some consumer claims, less red tape from insurance companies, and more help for people under evacuation orders.
- **Supporting Multi-year Funding for Wildfire Safety**: Commissioner Lara strongly supported the Governor and Legislature in increasing our state's wildfire mitigation efforts, including \$2.7 billion directed into wildfire resilience programs over the past three years. These efforts include funding fire prevention grants for local risk reduction projects, creating fire breaks that protect communities, expanding defensible space inspections, and increasing strategies like prescribed fire and fuels reduction projects.

WHAT OTHERS ARE SAYING:

California Farm Bureau:

"California's rural communities have been impacted by wildfires damaging farm structures and crops and by farmers and ranchers being denied insurance coverage to protect their properties. Farm Bureau supports the effort to restore competition to California's insurance market to get insurers doing business in those areas, again," said **California Farm Bureau Federation President Jamie Johansson**. "The California Farm Bureau welcomes Commissioner Lara's announcement about actions the Department of Insurance will take to bring insurers back to California. We support a competitive market that provides consumers and farmers access to comprehensive risk protection."

United Policyholders:

"Commissioner Lara has consistently acted in the best interests of consumers to address the growing challenges of insurance availability and affordability. The agreement he has negotiated directly addresses the problems we have been hearing from residents and businessowners, which are rooted in drastically reduced access to insurance," said **Amy Bach, Executive Director for United Policyholders**. "We will continue to work with the Department to make sure that consumers' voices are heard throughout the public input process as we restore insurance access and bolster wildfire safety, and

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continue to regulate rate increases.”

Community Associations Institute:

“On behalf of the more than 13 million Californians living in the more than 50,000 in community associations located here, we applaud Commissioner Lara for reaching a breakthrough agreement that increases insurance availability and supports community safety,” said **Kieran Purcell, Chair, Community Associations Institute, California Legislative Action Committee**. “This much-needed insurance reform will expand options and create long-term sustainability in our marketplace, helping millions of Californians including seniors, first-time home buyers, and many others across our state. We value our partnership with the Commissioner and look forward to continuing our collective efforts on this issue.”

REALTORS:

“California REALTORS® thank and support Commissioner Lara for taking necessary actions to strengthen and stabilize the state’s insurance market; a strong insurance market is essential to maintaining a healthy housing market,” said **C.A.R. President Jennifer Branchini**. “We look forward to working with the Commissioner and stakeholders to ensure that Californians have access to critical and reliable property insurance to protect their most valuable asset — their home.”

California Credit Union League:

“Commissioner Lara’s action plan to ensure a stable and more reliable insurance market will help consumers across the state purchase and keep their homes knowing they are protected when they need it,” said **President/CEO, California Credit Union League, Diana Dykstra**. “Expanding coverage options and prioritizing wildfire safety will support long-term insurance availability for the communities we serve throughout the state.”

Supportive Housing Alliance:

“As the leading coalition of supportive housing developers in the Los Angeles region, we strongly support the Insurance Commissioner’s proposed plan to increase insurance availability and reliability in

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California,” said **Policy Specialist, Brad West**. “Supportive housing is an evidence-based best practice that is a central component in our solution to end our homelessness crisis. If a competitive insurance market is not restored, there will be a drastic reduction in the number of supportive housing units we can build, and our State will make no progress in reducing homelessness. That is why the Insurance Commissioner’s proposal to make needed changes to the FAIR plan and the State’s insurance rate review process is an important first step to restore a competitive and resilient marketplace for admitted insurance companies in the State and to ensure we can continue building supportive housing and end our homelessness crisis.”

California Mortgage Bankers Association:

“Having insurance is an absolute condition for homebuyers obtaining a mortgage,” said **CEO of California MBA, Susan Milazzo**. “The agreement that Commissioner Lara has reached to expand insurance availability across our state means more Californians can be able to achieve the dream of homeownership knowing they will have better access to the insurance they need.”

California Building Industry Association:

“CBIA applauds Governor Newsom and Commission Lara’s commitment to California consumers and the steps they are taking to address California’s insurance crisis. Increasing Fair Plan commercial limits to \$20 million per structure will reduce barriers to home construction and ownership,” said **Dan Dunmoyer, President and CEO of the California Building Industry Association**. “Absent this action, consumers living in attached condominiums and homeowners’ associations have been left with little choice but to seek coverage from non-admitted insurance carriers whose rates are exponentially more expensive than the Fair Plan. The Commissioner’s bold move is a major step in the right direction toward addressing our state’s growing insurance crisis.”

California Association of Winegrape Growers:

“Growers are finding that the only commercial property option available to them is FAIR Plan, which should be the insurer of last resort,” said Michael Miller, Director of Government Relations for the California Association of Winegrape Growers. “We fully support efforts to bring stability and sustainability

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to the insurance market and thank Commissioner Lara and Governor Newsom for their attention to this crisis.”

California Fire Safe Council:

“In a state where wildfire occurs year-round, it’s imperative that we learn to live alongside fire and adapt our lifestyles to it, which includes mitigating risks,” said **Jessica Martinez, Program Director for the California Fire Safe Council**. “We all have a part to play—homeowner or not. Whether it be home hardening , maintaining defensible space, forest and fuels management, or participating in your local Fire Safe Council to mobilize community efforts for preparedness—there’s opportunities for everyone to play a part in making their communities fire adapted.”

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