

Insurers Fleeing Fire Risks Fuel California Leader's Rise (1)

Bloomberg Law

California's newest state Senate president is only 44 but an old-school throwback: Mike McGuire climbed the political ladder by winning elections to the school board, mayor and county government and with a granular focus on bread-and-butter constituent issues.

His profile grew after the Tubbs wildfire in 2017 devastated property owners and renters in his Northern California district. McGuire led the push to make insurers more responsive.

Similar battles have flared as insurance heavyweights abandon communities from the coasts of Florida and North Carolina to the mountains of Oregon, and more are looming. California is poised to become a widely watched battleground; any fix there could reverberate nationally and be shaped by the new Senate leader who has spent years working on the issue.

Allstate, State Farm and others argue their retreat from some markets is the responsible choice amid heightened risks and rates that don't reflect the changing climate. Consumer advocates counter that insurers are fleeing residents and forcing insufficiently critical regulators into a corner.

Caught in the middle are people like McGuire's constituents—shop owners and homebuyers scouring for a policy to satisfy their mortgage holder, and forced to flock in spiraling numbers to the state's costly insurance program of last resort.

He's pushed efforts to improve the state emergency alert system, and tighten development restrictions in high-risk areas. The property insurance crisis remains an unresolved priority.

"I can't walk down the street without people telling me they got non-renewed or they lost their home," McGuire, a Democrat, said in an interview.

Insurance may not have been the signature issue he envisioned when, at age 19, he won a school board seat in Healdsburg, about 70 miles north of San Francisco. But it's unavoidable now—State Farm last week announced plans to drop coverage for another 72,000 Californians—and could lift the Senate president pro tempore farther.

McGuire has already taken steps to run next for California insurance commissioner, an elected watchdog with power to review rates and regulate the sector. The post also offers a statewide profile without having to elbow other Democrats in an already crowded 2026 election season, and the chance to champion an issue of interest beyond the state.

"It's an office that an upwardly mobile, ambitious politician could move forward on," said David McCuan, one of McGuire's former political science professors at Sonoma State University.

Fire After Fire

Jeff Okrepkie is one of the Californians looking for state leaders to solve a crisis that consumes both his jobs—as an insurance broker and a Santa Rosa city council member.

"This is stuff I deal with seven days a week," he said.

Okrepkie got into politics after he lost his home in the Tubbs fire. It killed 22 people and destroyed more than 5,600 buildings in and around Santa Rosa.

That was just one entry in what became the most destructive season in state history; the nearby Atlas and Nuns fires torched more than 2,000 buildings and killed eight people.

Each contributed to what the National Oceanic and Atmospheric Administration called "a historic year of weather and climate disasters." Hurricanes Harvey and Irma were among 16 weather events in 2017 that each caused damage exceeding \$1 billion.

Insurers hemorrhaged money. State Farm notched \$6.5 billion in underwriting losses and the wider industry posted a net loss of more than \$22 billion. Companies responded by raising rates and dropping clients in areas deemed high risk, including Florida, Louisiana—and much of McGuire's district.

Some of the ensuing years were even more destructive in California. The 2018 Camp Fire took out more

than 18,000 buildings and decimated the town of Paradise.

By 2022, when underwriting losses in the US had crept higher than \$100 billion, the biggest property insurers began pulling back from the California market—or out of it altogether.

State Farm, with more than 20% of the market in 2022, paused new policies, as did Allstate. Farmers, Travelers and Nationwide limited new policies, and USAA restricted underwriting to low-risk areas.

“It’s getting to the point where we’re seeing companies purposely go uninsured because they can’t afford it,” Okrepkie said. He recounted how one local winery owner balked at paying the higher rates, reasoning he would be too old to start over if a fire destroyed his business.

Elsewhere, the council member said, local residents are getting non-renewal notices from their insurers and are frustrated that nothing satisfies them.

Kimberly Lilley, who works with an organization that represents condo associations around the country, said she sold her own condo in Los Angeles just in time to avoid staggering insurance rate increases there. The unit was in a residential area and close to a freeway, but also not far from a fire site.

The increases hitting condo associations are being passed to residents, she said, a trend that’s not sustainable. “This is the next housing crisis,” Lilley said.

Policymakers have responded by putting temporary moratoriums on non-renewals, requiring insurers to renew policies in fire-ravaged areas that had been under emergency declarations.

The current insurance commissioner, Ricardo Lara, added requirements that force insurers to give discounts to policy holders in communities that take steps mitigating the risk of wildfire.

But the bigger challenge for many is finding any insurance, given the wholesale retreat of some companies.

“You could say they’re on strike,” Amy Bach, founder of the advocacy group United Policyholders, said of the carriers.

Industry officials counter that they are merely being responsible to their current policyholders in an

uncertain time. They contend existing rates do not account for inflation, rising property values or mounting risks, and note California has had some of the strongest consumer protections of any state since voters approved Proposition 103 in the 1980s. That established the current process for setting rates that must first be approved by the state insurance commissioner.

“Rates haven’t kept up,” Mark Sektnan, vice president for state government relations at the American Property and Casualty Insurance Association, said. His group represents home, auto and business insurers.

A growing number of Californians have turned to the FAIR Plan—an option of last resort.

The program, short for Fair Access to Insurance Requirements, was created following the civil unrest of the late 1960s, when multiple states launched safety-net insurance programs to help revitalize red-lined inner cities. The program requires insurers to offer basic property insurance, jointly sharing both the market and the risk.

California FAIR Plan sign-ups tripled from 2018 to 2019, according to data from the state’s Department of Insurance. New FAIR plan homeowner policies have since remained elevated, averaging more than 70,000 new plans issued each year from 2019 to 2021. Similar programs in Florida and Louisiana have swelled, too.

The FAIR Plan still only accounts for around 3% of the California market. But a Bloomberg Government analysis of both public and private wildfire risk assessments, as well as California Department of Insurance enrollment data, underscores the trend: As FAIR plan sign-ups have risen, they have risen disproportionately more in counties with higher wildfire risk.

And, with higher rates and bare-bones coverage, it’s a solution that satisfies few property owners. Rates are traditionally three times more than other plans, or higher.

The vice president of a Pasadena homeowners association told California legislators last December that since Farmers Insurance canceled its policy, it’s been forced to take a FAIR Plan policy with an annual price tag of nearly \$350,000—a hike of \$500 for every household in the community.

The entire system has come under mounting scrutiny, raising questions about the sustainability of a

program meant to be a last resort for consumers.

The problem has made California a poster child for what could await other states.

Greater Fire Risk Means Fewer Insurance Options

County-level breakdown detailing the number of homeowner FAIR plans issued in 2021, the overall risk of wildfire in the county over the next 30 years, and the share of properties that have some risk of being affected by wildfire over the next 30 years.

In Oregon, rates are rising and some insurers are pulling out of what they view as riskier markets, with Oregon Mutual getting out of personal lines altogether.

Florida has sought to curb litigation against insurers and lawmakers concluded their session this month with discounts to take some of the bite out of rising insurance bills. The discounts are expected to average just \$300 a year, though, in a state where the average annual homeowner's premium last year was projected to reach \$6,000, said Mark Friedlander, a spokesman for the Insurance Information Institute.

Louisiana Gov. Jeff Landry (R) started that state's legislative session this month calling for looser rules on insurers in a bid to stop them from fleeing.

In California, the insurance industry is pushing for changes to existing state regulations that it says will stabilize the market, including speedier approval for rate increases by the commissioner's office.

McGuire is skeptical that increased rates will ease the crisis. "We've seen other states, particularly in the Southeast, give insurers everything they want when it comes to increased rates," he said. "And what we've seen with increased rates is that insurers still leave."

Instead, he has pushed for assurances that homeowners can still get coverage if they take steps to protect their homes from wildfire. Legislation on the issue has been idling in a state Assembly committee for months, but support from the new Senate leader could give it a boost.

Shifting Political Poles

Raised by a single mother and a grandmother he described as a hard-nosed prune farmer, McGuire grew

up in Healdsburg, about 15 miles north of Santa Rosa. The rural town now reflects wine country's boom, its historic square ringed with upscale boutiques and galleries.

McGuire's district continues north into a part of California that retains its ruggedness; farmland gives way to craggy coastlines, seemingly endless forests and rural towns.

After his election to the school board, he collected a bachelor's degree in political science at nearby Sonoma State, worked jobs in TV and radio, and won a seat on the town council.

McGuire became Healdsburg's youngest mayor in 2004 and won a seat on the Sonoma County Board of Supervisors six years later. He touted efforts to fix decaying schools, raise funds for career technical education and preserve open space.

Bill Dodd, elected as a Republican supervisor in neighboring Napa County around the same time, marveled not just at McGuire's energy but how meticulous he could be.

"A lot of us, we don't get into the detail. We don't get that granular," said Dodd, now a state senator and a Democrat. "It's insane how into the weeds he is."

His predecessor as Senate president pro tempore, Toni Atkins (D), tapped him to be the chamber's majority leader in 2022. With Atkins term-limited this year, he smoothly garnered the votes needed to succeed her.

The new state Assembly speaker, Robert Rivas (D), also comes from a rural community. It is the first time in decades both posts are filled by legislators from outside the state's urban power centers.

Even in an era when all politics seems national, McGuire has a town councilor's appreciation for the mundane aspects of public policy. On his swearing-in as senate president, his staff issued a press release listing his legislative accomplishments, starting with a measure he authored to make it easier to transport aviation fuel used by firefighting aircraft—a forgettable law but meaningful to anyone worried about wildfires.

Earlier this month, the Senate leader grabbed a ceremonial shovel and joined other officials at the groundbreaking for a highway overpass near Santa Rosa.

“Hot damn, we’re going to double the traffic lanes,” McGuire exclaimed as cars roared along Highway 101.

In 2017, embers flew over the six-lane highway just north of the groundbreaking, leading to the destruction of about 1,400 homes in the Coffey Park neighborhood.

Facing term limits in 2026, McGuire has already formed a committee to run for state insurance commissioner. California is one of 11 states that elects its top insurance regulator. That post could give him a chance to speak as a native of the rural part of a very diverse state to an issue that affects virtually all Californians.

McCuan, his onetime professor, noted how an issue that helped define McGuire’s local political career—his advocacy in the aftermath of wildfires—has become particularly relevant to large swaths of the American West.

“It allows you to connect with voters who deal with the weather—and everybody deals with the weather,” McCuan said.

‘A Different Opinion’

Major legislation on insurance in California never materialized last year after negotiations sputtered. Observers expect McGuire will try to land some sort of deal this session, but he faces an uphill battle.

“Senator McGuire has a different opinion than we do on most of the insurance issues,” Sektan, of the American Property and Casualty Insurance Association, said.

Insurers blame inflation for driving up the costs of rebuilding disaster-ravaged homes, and say much of the new housing in recent decades has been built along coasts where sea levels are rising or in exurbs vulnerable to wildfires. Beyond quicker approval of rate changes, they also want to change how rates are calculated—dropping the traditional model that relies on past climate data for one that instead projects future conditions.

If that occurs, some observers argue the state should require insurers to also include in their rate setting the billions of dollars the federal, state and local governments are pumping into efforts to prevent wildfires.

“There’s a lot of money going into it and it’s frustrating to homeowners not to see any benefit to that,” Dave Jones, a former California insurance commissioner, said. He is now director of the Climate Risk Initiative at UC Berkeley’s Center for Law, Energy and the Environment.

McGuire said that if a community adopts what is known as a hardening plan—a policy establishing mitigation measures and prevention standards—insurers should be required to cover property owners.

He also said Californians should be able to get a wildfire risk score easily on their smartphones and that insurers who drop policyholders should have to give them a road map outlining how they could restore their coverage.

Getting anyone to agree on how any of these policies might work—tied up as they are with actuarial science, wildfire ecology and a lot of assets at risk—will be politically tricky. For as bitter and divisive as the issue has become in California, McGuire treads diplomatically.

“I’m a bridge builder,” he said. “That’s what I’m going to be on insurance.”

Back in Santa Rosa, Okrepkie is glad to see McGuire in a position to work on the issue. He also acknowledges it’s too big a problem for any one person to fix.

Six years after losing his Coffey Park home, and now watching customers struggle to find insurance, Okrepkie said he hopes to look back someday and consider these the hard years.

“Whenever this eventually gets solved, we’re going to be on easy street,” he said.

—With assistance from Atthar Mirza and Andrew Wallender