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CALIFORNIA WILDFIRES: TALKING POINTS

Issue Overview:

Numerous wildfires, which have been driven by strong Santa Ana winds through dry regions of the greater Los Angeles area, have killed at least 29 people, burned 57,660 acres, and destroyed 16,246 structures thus far, according to CalFire. Communities like Pacific Palisades, Malibu, and Altadena have been particularly hard hit.

Core Messaging:

1. **Insurance is and will continue to play the role of financial and economic first responders for insured Californians impacted by wildfires, being well-capitalized to pay claims and keep their promises to policyholders.**

    - Insurers are providing their impacted customers with additional living expenses to cover the cost of temporary living. This is standard coverage in home, condo and renters policies.

    - Check with your insurance company to find out what they require for your full contents recovery payment. They may offer a higher percentage than 30% of coverage A without an inventory and assistance with the inventory process for full payment and replacement of lost contents.

    - After a major disaster, insurers typically issue an initial payment within a few days for immediate needs, while the full claim is still being processed.

    - Insurers have managed their risk in California responsibly during the insurance crisis. They need to remain profitable to pay out the claims of their existing customers.

    - Risk-based pricing results in adequate rates and a competitive market for insurers. California is the largest insurance market in the country.

2. **California's insurance market has been on the brink of a risk crisis for decades because of arduous and outdated regulatory policies. However, its newly adopted "Sustainable Insurance Strategy" will be helpful in re-establishing a market that coincides with the state's large and robust economy, of which insurers want to be part.**

    - The California insurance crisis has been years in the making due to inflation, catastrophe exposure and the limitations of working within decades-old insurance regulations.

- The California Department of Insurance's (CDI) Sustainable Insurance Strategy (SIS), being implemented this year, will help stabilize the state's insurance market by modernizing Proposition 103 and CDI operations. It will allow insurers to use processing and approvals of rate filings. However, improvements will not be immediate.

- We have seen a few insurance companies already commit to start writing more property insurance policies across the state due to the regulatory changes and expect to see more companies following suit throughout 2025/26.

- The average home insurance premium in California in 2021(the most recent data available from the NAIC) was $1,403. On a list of the most expensive states for insurance, California would rank 20th — in line with the countrywide average but far below most other states facing a risk crisis. These lower-than-average rates reflect the results of artificial tempering from the former arduous system, California homeowners insurance has consistently been below the U.S. average despite its significant climate risk.

- More than 37% of California homeowners purchased coverage for $500,000 or above in 2021, compared to just 10% of Florida homeowners, according to the NAIC data. Yet, the average home insurance premium in California is still much lower.

Average HO 00 03 Premium Projections

State	California	% Change	United States	% Change
2012	$980	-	$1,034	-
2013	$966	-1.4%	$1,096	6.0%
2014	$974	0.8%	$1,132	3.3%
2015	$986	1.2%	$1,173	3.6%
2016	$1,000	1.4%	$1,192	1.6%
2017	$1,008	0.8%	$1,211	1.6%
2018	$1,073	6.4%	$1,249	3.1%
2019	$1,177	9.7%	$1,272	1.8%
2020	$1,241	5.4%	$1,311	3.1%
2021	$1,403	13.1%	$1,411	7.6%
III Projections	California		United States	
2022	$1,475	5.1%	$1,500	6.3%
2023	$1,625	10.2%	$1,650	10.0%
2024	$1,750	7.7%	$1,800	9.1%

NAIC
III Projections - Based on III, NAIC & ISO

3. **Rebuilding in Southern California will require an intense focus on making communities more resilient. Wildfires are inevitable in the state, but there are ways to incentivize the entire economic ecosystem to create more defensible methods for living in such catastrophe-prone areas.**

- Wildfire mitigation for individuals and communities is a key component of the Sustainable Insurance Strategy (SIS) and will help individuals and communities make their homes, businesses, and communities more resistant to wildfire.

- Wildfire mitigation can reduce the risk of wildfires and the damage they cause. These actions include creating defensible spaces, using fire-resistant construction materials, and participating in community programs.

- Insurance companies use drone imagery, satellite data, AI analysis, and mobile apps to rapidly assess damage, expedite claim processing, and quickly pay out claims to policyholders, often by utilizing real-time data to make faster and more accurate assessments, particularly in situations where access to affected areas might be limited.

- Los Angeles wildfire losses will not impact insurance markets in other states.

- The California FAIR plan (the state’s property insurer of last resort) is also able to assist its policyholders and pay claims through its financial structure.

- Insurance companies do not simply drop policyholders. In California, insurance companies must provide a written notice of nonrenewal at least 75 days before a policy expires. If the company doesn't provide the required notice, the policy will remain in effect for 75 days.

- People who were non-renewed had options to purchase fire insurance through the California FAIR Plan, as well as homeowners coverage either through standard property insurers or excess and surplus lines carriers that write high-risk homes.

- Most people have homeowners insurance as it is required by their mortgage lenders. The national average take-up rate is 90%.

- Once your mortgage is paid off, you have 100% equity in your home, so homeowners insurance is even more crucial to your financial well-being. It is difficult for most Americans to recover from a catastrophe without adequate insurance coverage.

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