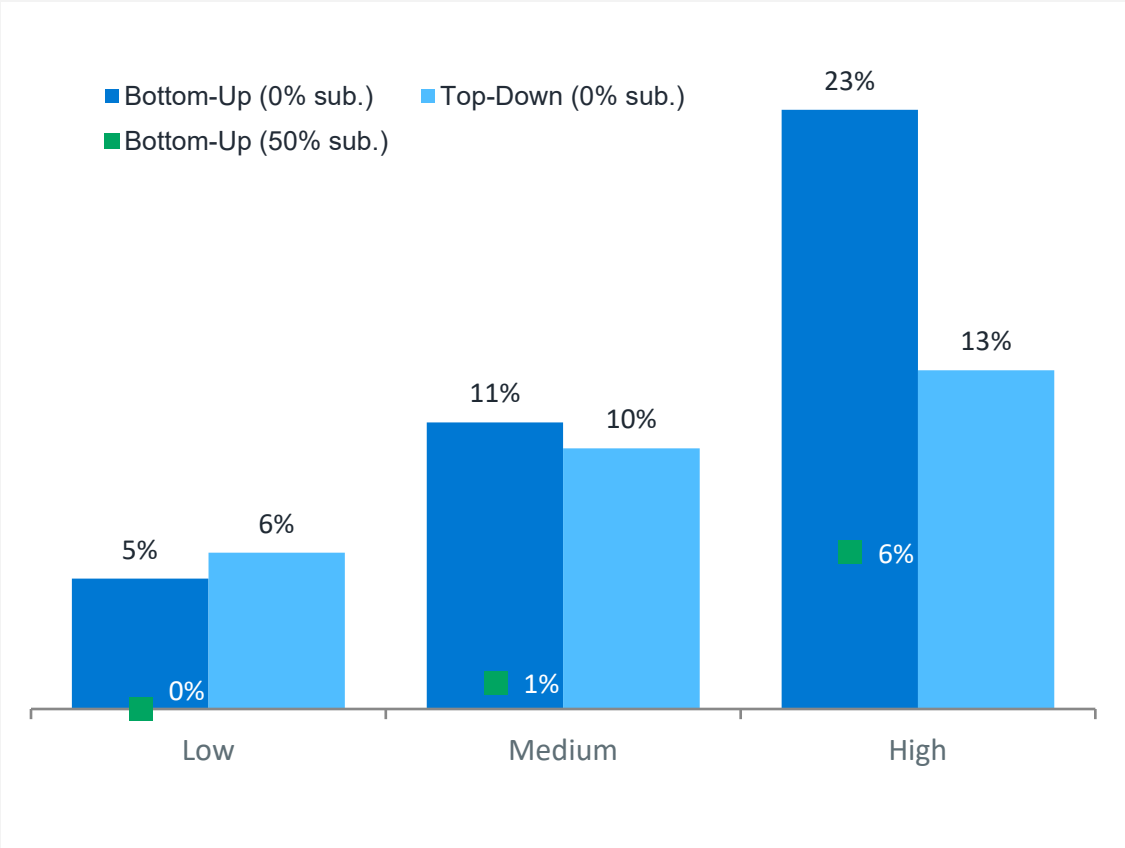


# Effect of eliminating or capping subrogation against utilities

Estimated impact on total statewide homeowners premium, using two methods and three assumption scenarios

Estimated premium increase needed by scenario (%)



## Bottom-Up Method

Starts with utility-related wildfire damage and public information on insurer subrogation settlements

## Top-Down Method

Starts with historical salvage & subrogation for wildfire and fire-following earthquake in rate filings of private insurers and FAIR Plan

## Bottom-Up Method, 50% Cap

Assumes the average subrogation recovery rate is capped at 50% in Bottom-Up method

|           |                                              | Assumption Scenario |        |      |
|-----------|----------------------------------------------|---------------------|--------|------|
| Method    | Key Inputs                                   | Low                 | Medium | High |
| Bottom-Up | % of structures damaged in utility wildfires | 45%                 | 55%    | 65%  |
|           | Insurer subrogation % in utility wildfires   | 40%                 | 55%    | 70%  |
|           | Subrogation % of wildfire & FFEQ losses      | 17%                 | 29%    | 44%  |
| Top-Down  | S&S % of wildfire & FFEQ losses              | 20%                 | 26%    | 28%  |

Based on August 2026 analysis prepared by Milliman, Inc. for the California Natural Resources Agency.  
Values are estimated for the homeowners industry as a whole; results for individual insurers and policyholders will vary widely.