



June 12, 2023

Commissioner Ricardo Lara
California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 95814

Dear Commissioner Lara:

We're concerned about the recent announcement made by State Farm and others who are no longer expanding their footprint in our state. The Assembly Insurance Committee held informational hearings that explored the challenges facing the California FAIR Plan and the current state and obstacles of California's insurance market. The committee heard testimony from stakeholders expressing their fear that the insurance market has fallen into a capacity crisis. They offered several key reasons for this, including regulations promulgated long before the onslaught of climate change impacts that still govern California's insurance market today. There was considerable testimony that the current rules do not properly recognize the impact climate change poses to California properties, and that they may discourage insurers from increasing availability of coverage for properties particularly in wildfire-exposed areas.

Perhaps the fragile financial standing of the FAIR Plan factored into State Farm's decision to take an indefinite break from the market. State Farm represents approximately 22% of the homeowner insurance market. Insurers fear that at some point, the FAIR Plan will have to assess insurers. Assessment is based on market share, which would mean that State Farm would receive one of, if not, the largest assessment.

We commend your recent announcement about conducting catastrophe modeling workshops and strongly support you working collaboratively with the public and all stakeholders to determine whether there are in fact antiquated rules that could be adversely affecting the availability and affordability of homeowner's insurance in California, particularly as it relates to global warming and the FAIR Plan. In addition to examining catastrophe models, we encourage you to also look into the net cost of reinsurance in rate applications and whether it might better ensure insurance prices are accurately connected to real-world risks. Similarly, insurers should be expected to demonstrate how these rule changes would result in expanded coverage availability for Californians in fire-threat areas of the state.

We're keenly aware that your top priority is to provide greater options for insurance coverage and are confident you will continue working to expand coverage options and reduce the costs of

insurance through wildfire safety discounts and increasing competition in the market. We also recognize that expanding FAIR Plan coverage is only a partial and temporary solution that must be paired with continued efforts to develop better wildfire protection for homeowners, as well as mitigate wildfire risk and improve the availability of insurance in the traditional marketplace.

Together, we can continue to provide robust consumer protections and implement the right strategies and incentives to ensure that Californians have access to reliable insurance in the traditional market and do not need to rely upon a high-cost FAIR Plan policy that only provides the most basic coverage.

Thank you for your consideration and we look forward to the continued collaboration. If you have any questions, please do not hesitate to contact Kathleen O'Malley, Chief Consultant, Assembly Insurance Committee, at 916-319-2086.

Sincerely,

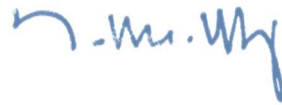


Lisa Calderon
Chair, Assembly Insurance Committee













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