



**Testimony of Cliston Brown**  
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**Assembly Insurance Committee**  
**Hearing on Parametric Insurance**

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Good morning. My name is Cliston Brown, and I am the Vice President for Public Affairs with the Surplus Line Association of California

I would like to thank Chairwoman Calderon, Vice Chairman Chen, the members of the committee, and the committee staff for this opportunity to brief you on this important topic. Today, my purpose is to give you an overview of how and where parametric insurance policies are utilized in the surplus lines marketplace in California.

To briefly touch on the nature of surplus lines, the term refers to insurance that is obtained from a carrier that operates outside the state of California. Those insurers, who are afforded rate and form freedom, serve California consumers and businesses when no adequate admitted insurance market exists to meet their insurance needs. California-licensed surplus line brokers facilitate the placement of this coverage with California consumers and businesses, and those brokers are responsible, under state law, for ensuring that all pertinent laws and regulations are followed. The Surplus Line Association of California, as the appointed advisory organization to the California Department of Insurance for surplus lines, and under the CDI’s delegated authority, reviews more than 1.2 million surplus lines filings per year to ensure 100% compliance.

It is because of this review function that we have extensive data on all surplus lines transactions in California, including parametric insurance products that are offered to California consumers and businesses. I will now share with you the data we have on parametric surplus lines insurance transactions for the entire calendar year of 2023, as well as transactions through September 17, 2024.

In 2023, 57 parametric insurance transactions took place in the California surplus lines marketplace. Of those 57 transactions, 41 were new business, including 26 commercial wildfire policies and 15 earthquake policies, and 16 were renewals, including seven commercial wildfire policies and nine earthquake policies. Total premiums for all policies totaled \$14,853,894. (See Table 1 for a complete breakdown.)

TABLE 1	2023		
	Transaction Count		Premium
<b>New Business</b>	<b>41</b>	<b>\$</b>	<b>8,482,016</b>
Parametric Earthquake	15	\$	6,122,873
PARAMETRIC WILDFIRE – COMMERCIAL	26	\$	2,359,143
<b>Renewal</b>	<b>16</b>	<b>\$</b>	<b>6,371,879</b>
Parametric Earthquake	9	\$	6,190,279
PARAMETRIC WILDFIRE – COMMERCIAL	7	\$	181,600
<b>Total</b>	<b>57</b>	<b>\$</b>	<b>14,853,894</b>

In 2024, through September 27, 67 parametric insurance transactions took place in the California surplus lines marketplace. Of those 67 transactions, 47 were new business, including 26 commercial wildfire policies and 21 earthquake policies, and 20 were renewals, including six commercial wildfire policies and 14 earthquake policies. Total premiums for all policies totaled \$6,747,773. (See table 2 for a complete breakdown.)

**TABLE 2**

**2024**

	Transaction		Premium
	Count		
<b>New Business</b>	<b>47</b>	<b>\$</b>	<b>4,350,446</b>
Parametric Earthquake	21	\$	1,880,049
PARAMETRIC WILDFIRE – COMMERCIAL	26	\$	2,470,397
<b>Renewal</b>	<b>20</b>	<b>\$</b>	<b>2,397,327</b>
Parametric Earthquake	14	\$	2,388,327
PARAMETRIC WILDFIRE – COMMERCIAL	6	\$	9,000
<b>Total</b>	<b>67</b>	<b>\$</b>	<b>6,747,773</b>

We also have data on where the insured risks are cited. For parametric earthquake new business, the bulk of the business was sited in Stockton, Monterey and Oakland, and for renewals, almost half of the business was sited in Oakland, with the general footprint ranging from the Bay Area down to San Diego County and east to Riverside. (See Table 3 and Table 4.)

**TABLE 3**

**New Business**

Location	Total Transaction	
	Count	Total Premium
Stockton	9	\$ 689,670
Monterey	7	\$ 294,000
Oakland	5	\$ 2,689,000
Santa Cruz	4	\$ 137,640
La Jolla	2	\$ 24,150
Riverside	2	\$ 40,000
Carlsbad	1	\$ 114,950
Universal City	1	\$ 1,450,000
Montclair	1	\$ 170,000
San Jose	1	\$ 1,653,438
Various	1	\$ 80,645
Santa Ana Newport Coast	1	\$ 571,429
<b>Grand Total</b>	<b>36</b>	<b>\$ 8,002,922</b>

<b>TABLE 4</b>		<b>Renewal Business</b>	
<b>Location</b>	<b>Total Transaction Count</b>	<b>Total Premium</b>	
Oakland	10	\$	2,789,034
Various	3	\$	2,197,222
Universal City	2	\$	2,908,334
Sacramento	1	\$	54,000
Corte Madera	1	\$	23,928
Stockton	1	\$	291,135
Culver City	1	\$	138,845
Van Nuys	1	\$	5,695
Los Angeles	1	\$	14,236
Carlsbad	1	\$	104,500
Albany	1	\$	51,677
<b>Grand Total</b>	<b>23</b>	<b>\$</b>	<b>8,578,606</b>

For commercial wildfire new business, the sites of the risk are scattered to 39 communities throughout the state, with Glendale and San Diego having the most transactions. (See Table 5.)

**TABLE 5**

<b>Location</b>	<b>New Business</b>	
	<b>Total Transaction Count</b>	<b>Total Premium</b>
Glendale	6	\$ 9,000
San Diego	4	\$ 320,000
Anaheim	2	\$ 100,000
Saint Helena	2	\$ 365,000
Simi Valley	2	\$ 300,000
Irvine	2	\$ 290,000
Thousand Oaks	2	\$ 257,647
Pomona	1	\$ 32,500
Chula Vista	1	\$ 137,500
San Carlos	1	\$ 200,000
Azusa	1	\$ 150,000
Orange	1	\$ 220,000
Goleta	1	\$ 30,000
Riverside	1	\$ 50,000
Hawthorne	1	\$ 40,000
Carlsbad	1	\$ 275,000
Brisbane	1	\$ 45,000
Stevenson Ranch	1	\$ 40,000
Laguna Niguel	1	\$ 100,000
Placerville	1	\$ 25,000
Malibu	1	\$ 187,500
Rancho Santa Margarita	1	\$ 37,143
Mission Viejo	1	\$ 40,000
Calabasas	1	\$ 52,500
Moorpark	1	\$ 52,500
San Clemente	1	\$ 50,000
Temecula	1	\$ 100,000
Santa Clarita	1	\$ 225,000
Truckee	1	\$ 105,750
South Lake Tahoe	1	\$ 125,000
Westlake Village	1	\$ 45,000
Foothill Ranch	1	\$ 162,500
Aliso Viejo	1	\$ 43,750
Moraga	1	\$ 125,000
Valencia	1	\$ 240,000
Moreno Valley	1	\$ 40,000
Yorba Linda	1	\$ 66,250
Murrieta	1	\$ 32,500
Oak Park	1	\$ 112,500
<b>Grand Total</b>	<b>52</b>	<b>\$ 4,829,540</b>

For the small number of parametric commercial wildfire renewals placed in the surplus lines marketplace since January 1, 2023, six were in San Mateo, six in San Luis Obispo, and one in Oakland. (See table 6.)

<b>Renewal Business</b>			
<b>Location</b>	<b>Total Transaction Count</b>	<b>Total Premium</b>	
San Mateo	6	\$	6,000
San Luis Obispo	6	\$	9,000
Oakland	1	\$	175,600
<b>Grand Total</b>	<b>13</b>	<b>\$</b>	<b>190,600</b>

As you can tell from the data I have provided, this relatively new product has been taken up only in very small numbers in the surplus lines insurance marketplace. At the current take-up rate, we might expect to see approximately 94 total parametric new business and renewal transactions in the California surplus lines marketplace by the end of 2024, which would account for just under eight one-thousandths of a percent of California's total surplus lines transactions expected by year's end. In terms of premiums, at the current rate, we might expect to see approximately \$9.5 million in total premiums by the end of 2024, which would account for about five one-hundredths of a percent of total California surplus lines premiums expected by year's end.

We cannot predict the future of parametric products in the surplus lines universe, but at the moment, we can safely say that they are not a widely utilized solution.

Thank you again for the opportunity to testify here today. This concludes my testimony and I would be glad to answer any questions you may have.