

Facts about California's Insurance Market the Industry Doesn't Want Known

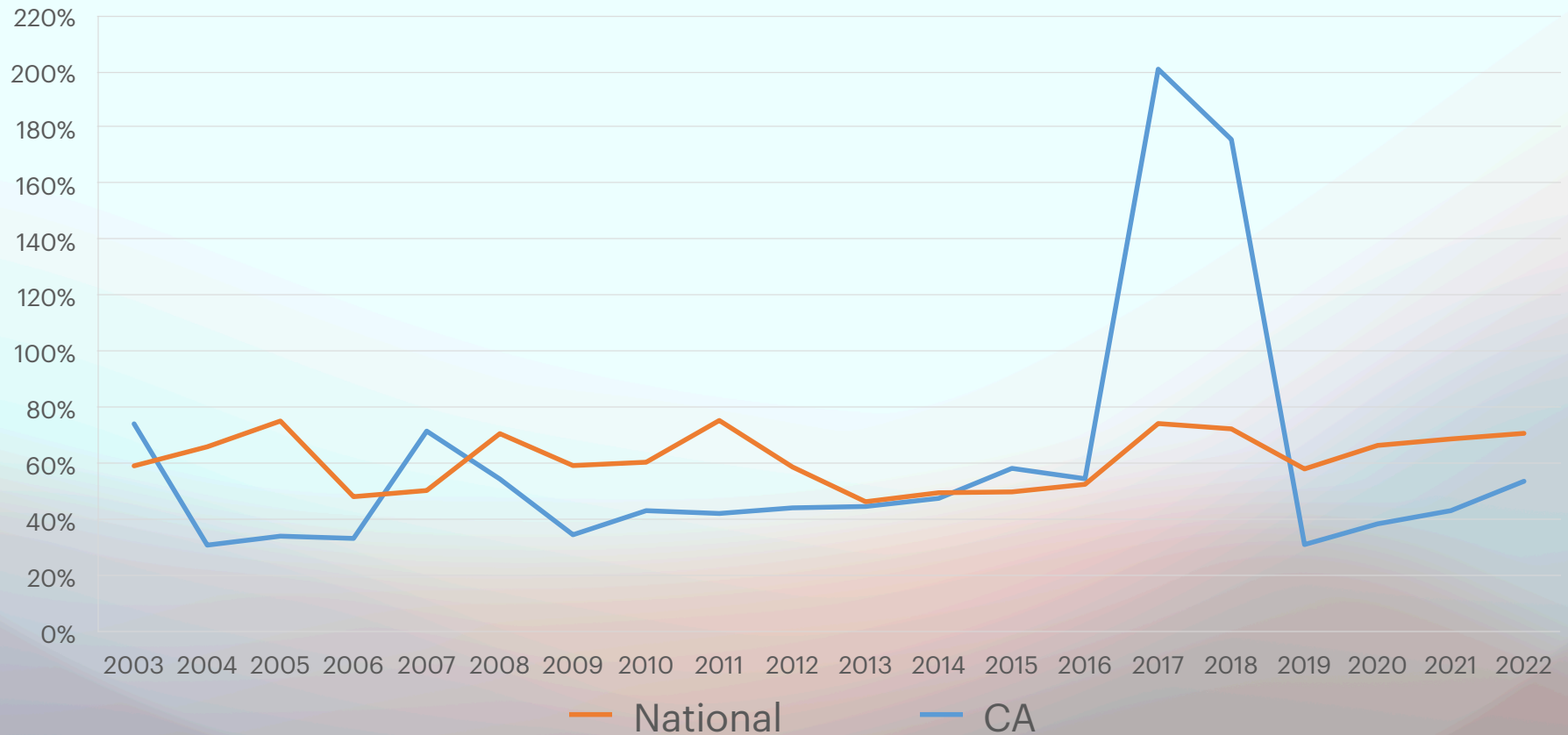


April 2024

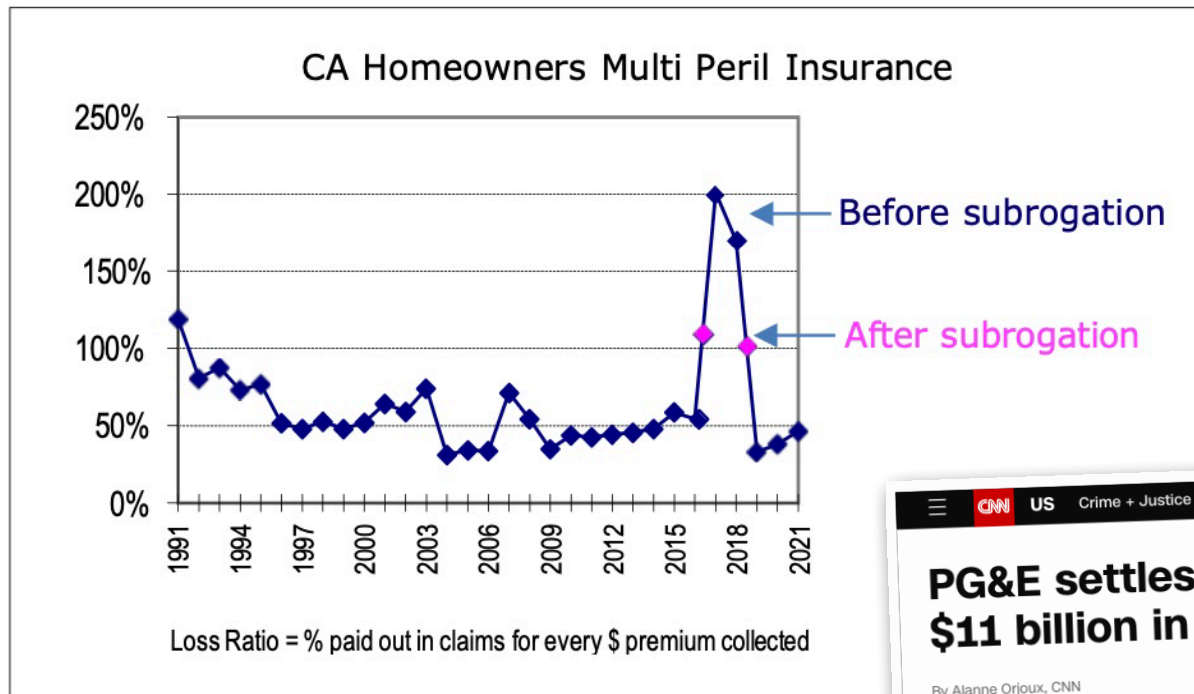
Six years ago, California insurers had two bad fire years.

California vs National Loss Ratios, 2003-2022

Loss ratio = Cents paid to consumers for claims per premium dollar



Insurers receive billions in repayment from utilities.



Over the past 20 years, home insurers have done better in California than nationwide.

	NATIONAL	CALIFORNIA
Direct Incurred Loss Ratio	61.7%	60.6%
Direct Underwriting Profit	1.2%	1.6%
Direct Profit on Homeowners Insurance Transaction	2.9%	3.6%
Direct Return on Net Worth	6.1%	9.2%

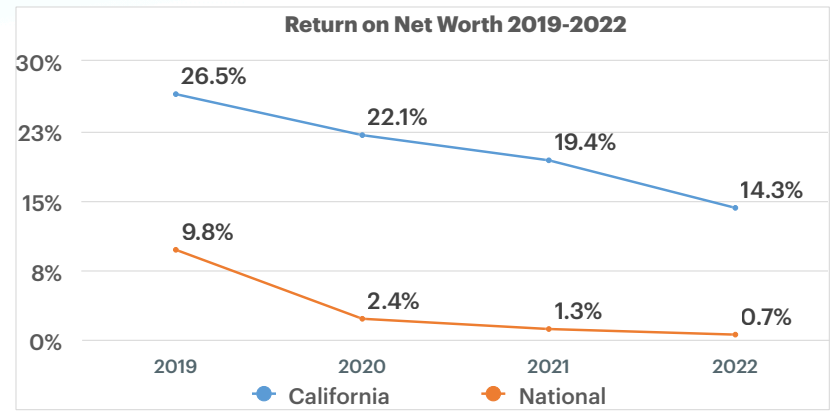
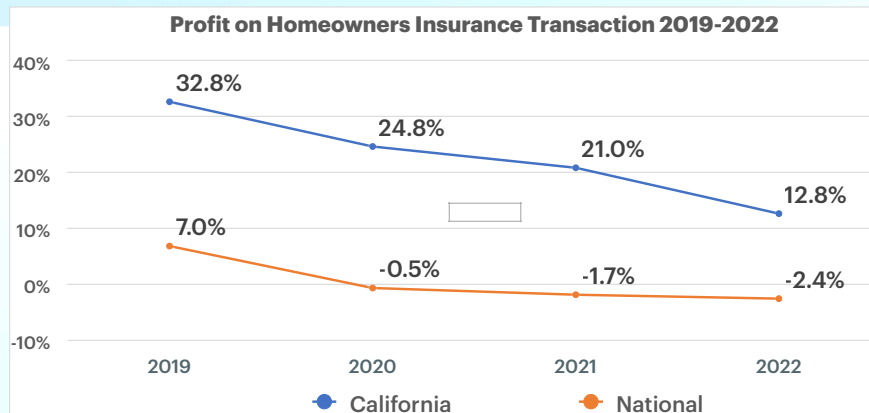
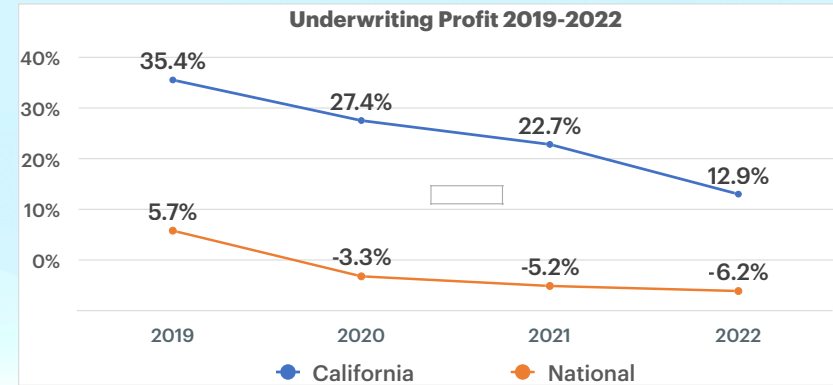
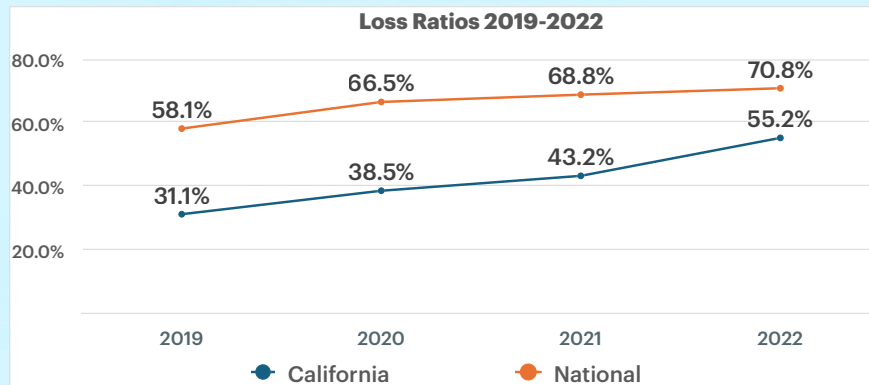
Loss ratio: Amount paid to consumers for claims per premium dollar.

Underwriting profit: Premium less the sum of claims losses, expenses, taxes, and policyholder dividends.

Profit on HO insurance transaction: Underwriting profit plus investment gains on reserves.

Return on net worth: Profit on insurance transaction plus investment gains on surplus.

In the last four years, California home insurers' profits have far exceeded insurers' nationally.



Source: National Association of Insurance Commissioners: 2022 Property & Casualty Market Share Report & Report on Profitability by Line by State in 2022; and California Department of Insurance 2022 Property & Casualty Market Share Report.

Home insurance companies received 92% of the premium increases they requested.

Of 153 requested rate increases
Jan 2021-Feb 2024...

92 insurance companies approved for full rate increase they requested

34 approved at a lower level than requested

0 were required to lower their rates

27 withdrawn

Average rate increase approved:

13%

Average requested:

14.2%

Highest increase approved:

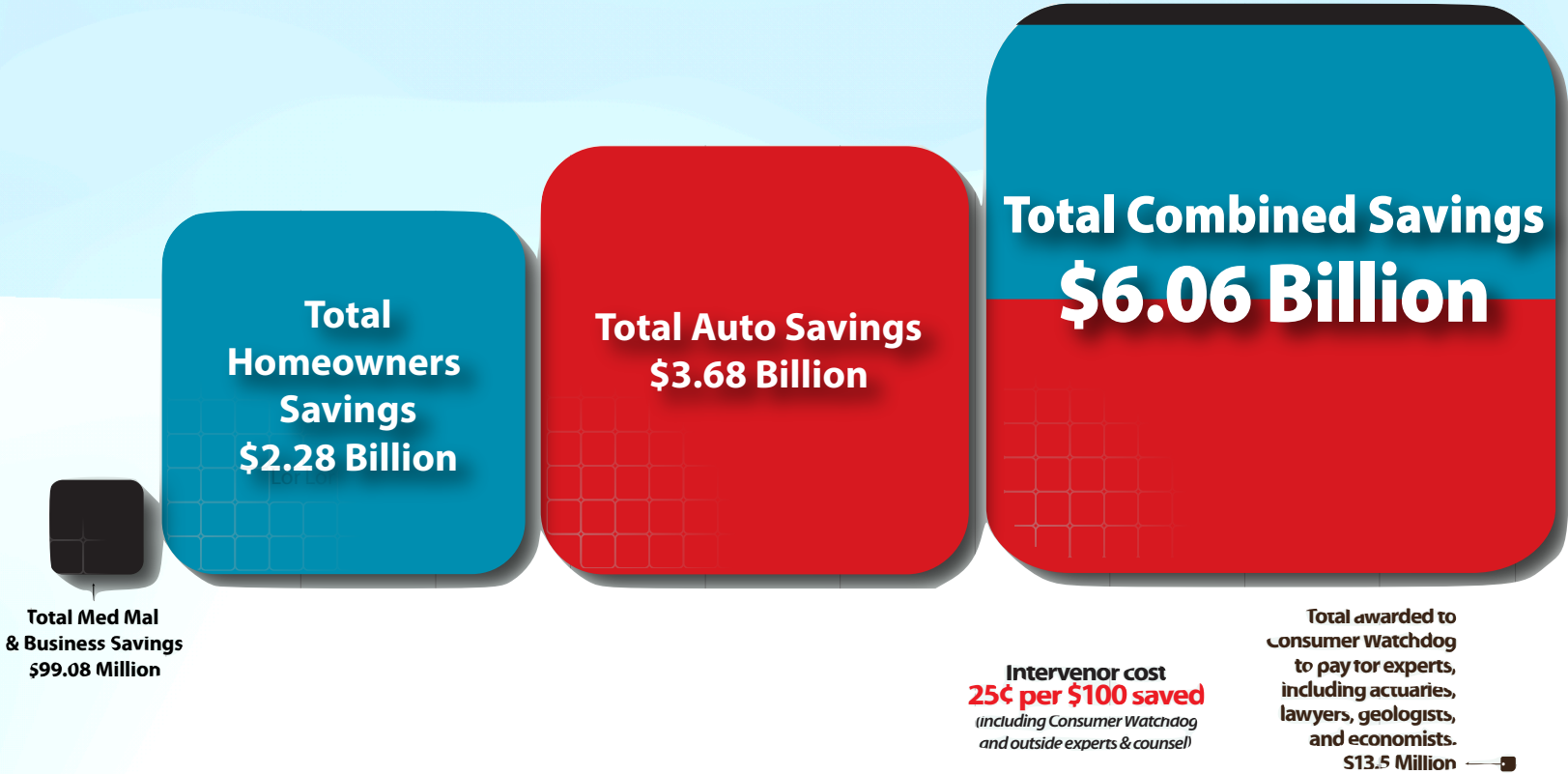
65%

(Based on approved filings.)

Consumer Watchdog rate challenges under Prop 103 have saved billions.

2002-2024

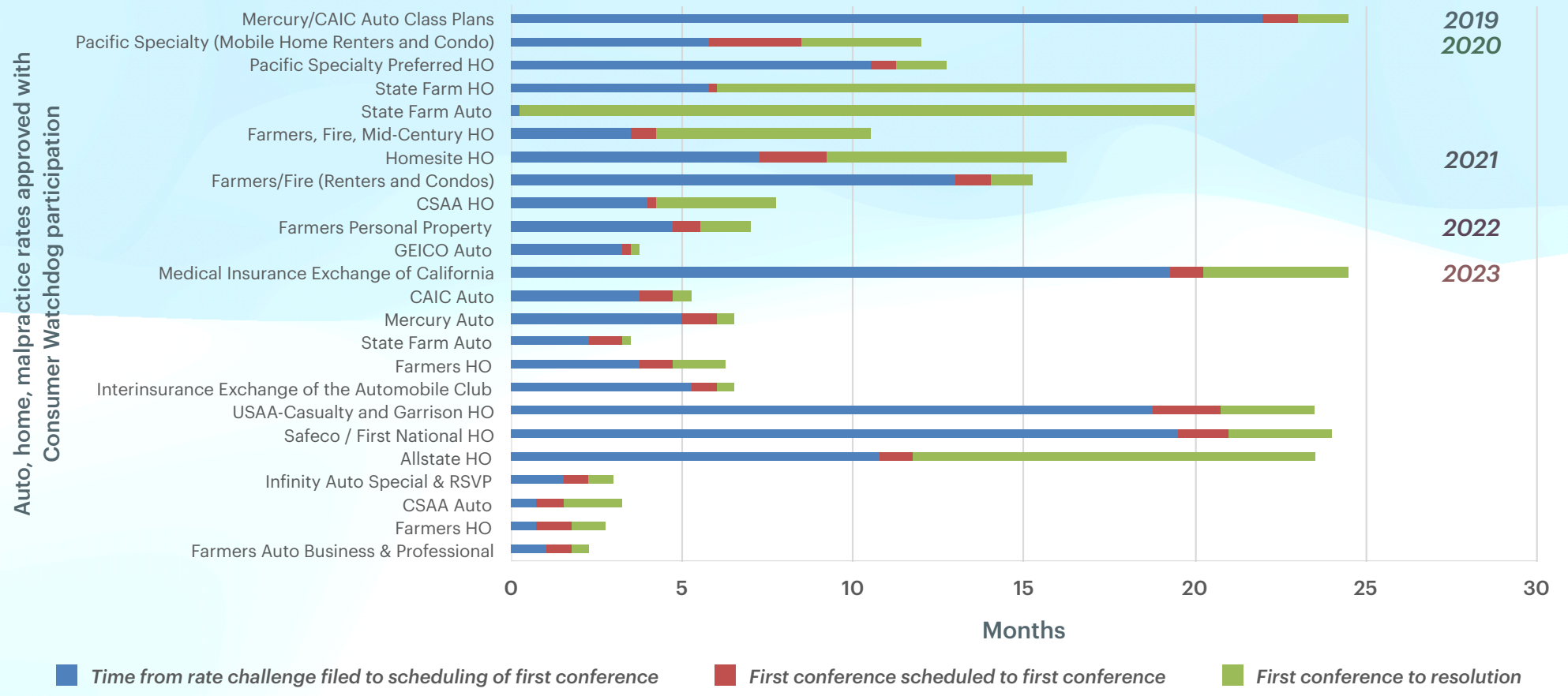
SCALE KEY:
■ = \$10 million



Savings from Consumer Watchdog Rate Challenges, Nov-Dec 2023

Company/Line of Insurance	% Rate Increase Requested	% Rate Increase Approved	\$ Savings	Effective Date
GEICO Auto	20.80%	12.80%	\$356 million	4/30/24
State Farm Homeowners/ Renters/Condo	28.10%	20%	\$199.7 million	3/15/24
State Farm Auto	24.60%	21%	\$152 million	2/26/24
Pacific Specialty Homeowners	6.90%	3%	\$6.3 million	by 4/21/24
Allstate Auto	35%	30%	\$149.5 million	2/7/24
State Farm Rental Dwelling Owners	20%	11.43%	\$21.5 million	2/1/24
Total Savings:			\$885 million	

Insurance company delays and Department of Insurance scheduling drive rate challenge timelines.



Commissioner Lara's plan has two huge loopholes.

- ➔ Insurers can meet their “commitment” to expand insurance sales in wildfire areas by offering the same high-cost, limited-benefit coverage that homeowners already have access to in the FAIR Plan.
- ➔ Insurance Commissioner can waive the “85% commitment” for any insurer that claims it cannot meet it.

The insurance industry's solutions were tried in Florida and failed to stabilize the market.

Florida has...

- Inadequate rate review
- Reinsurance pass-through
- Unverifiable black box models to set rates
- Consumers, not insurers, bail out state insurer of last resort

...it hasn't worked.

INSURER OF LAST RESORT MARKET SHARE

California	Florida
FAIR Plan - 4%	Citizens - 19%



Rates are **2½ times** as high in Florida

Average premium for home valued >\$500,000

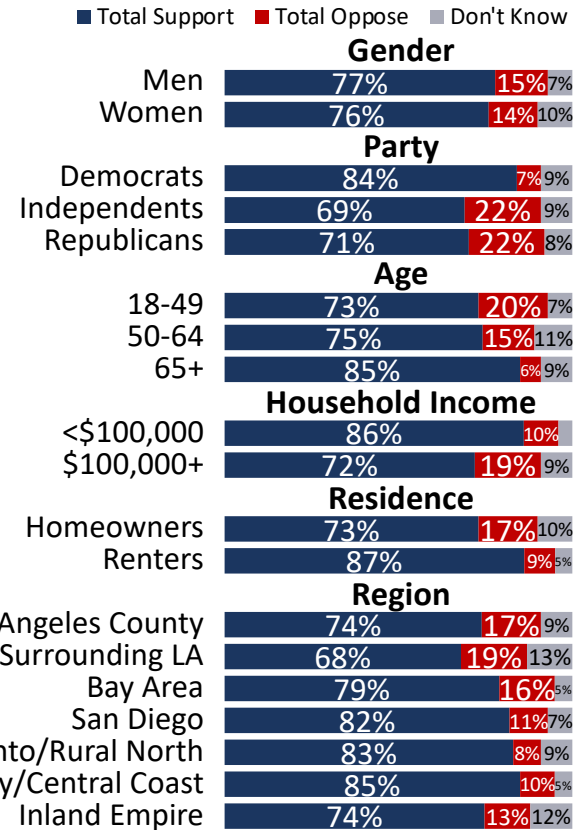
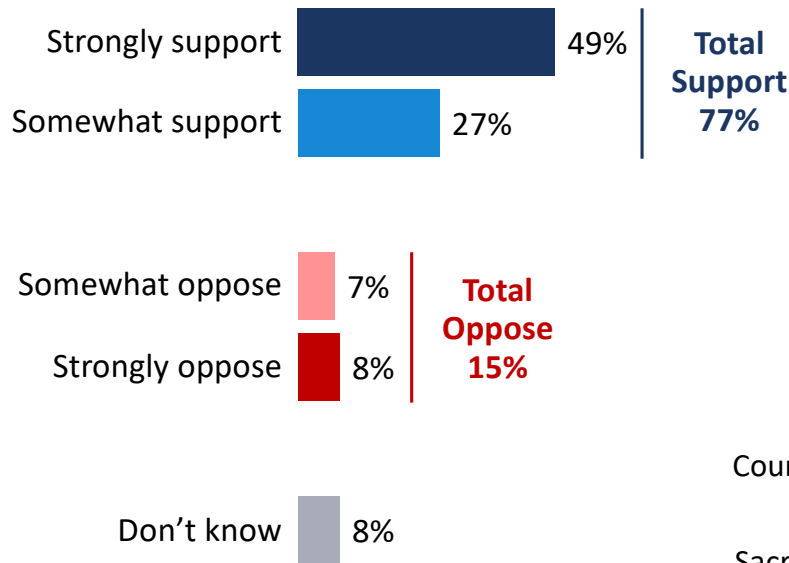
Ca: **\$1960** Fl: **\$4704**

SOLUTIONS

- ☑ Require insurers to cover homeowners who reduce risk
- ☑ 5-year ban from home & auto market if insurers refuse
- ☑ Increase state and insurer investment in mitigation
- ☑ Build public, transparent catastrophe model
- ☑ Heightened building standards for riskiest areas

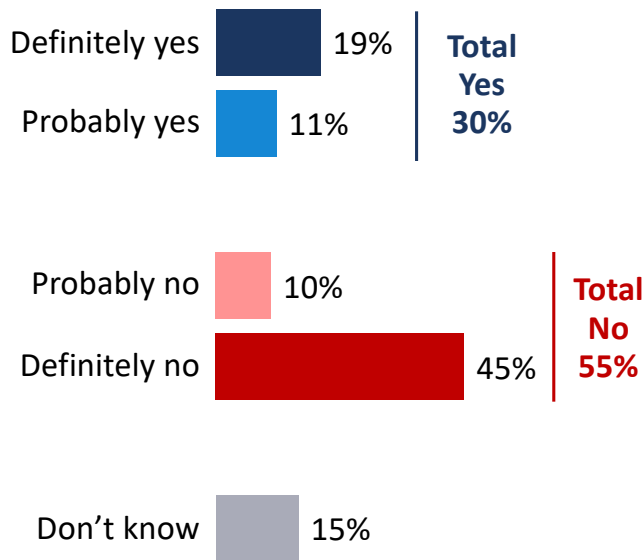
Voters express a high degree of support to require insurers cover those who fireproof their homes.

Would you support or oppose the state of California enacting a law that requires homeowners insurance companies to sell coverage to anyone who fireproofs their home to protect it from wildfires?



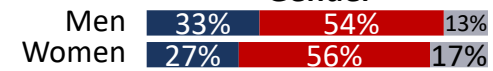
A majority backs prohibiting insurers who refuse to sell homeowners or renters insurance to sell car insurance policies to Californians.

If an insurance company refuses to sell insurance to California homeowners and renters, do you think that company should be allowed to sell car insurance in California?

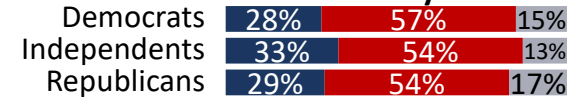


■ Total Yes ■ Total No ■ Don't Know

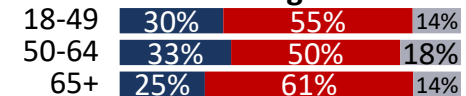
Gender



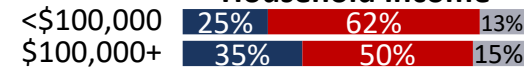
Party



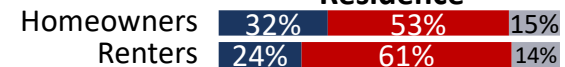
Age



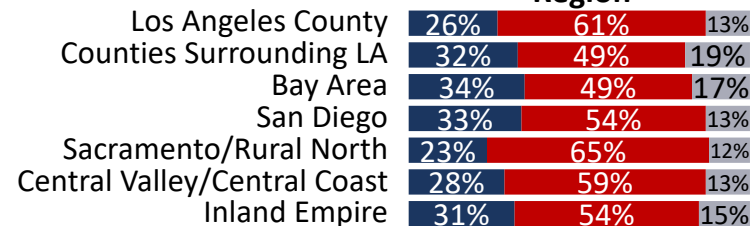
Household Income



Residence

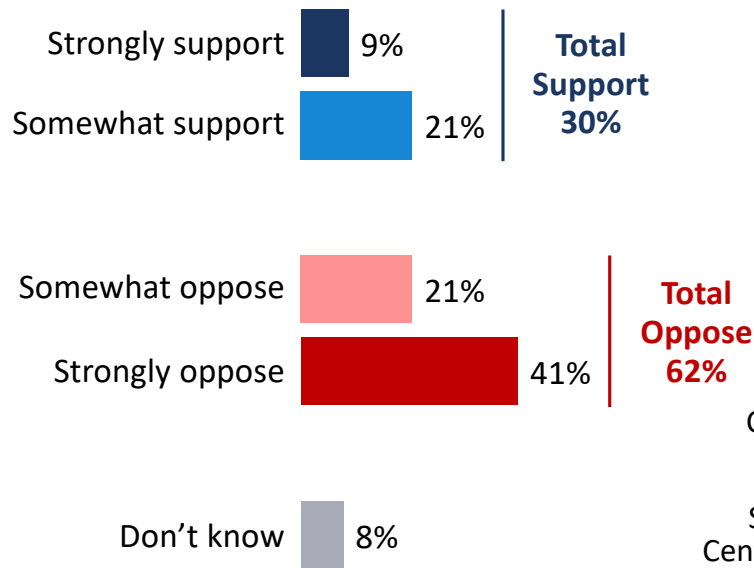


Region



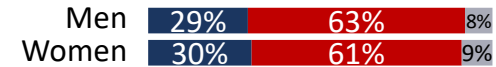
By two to one, voters oppose the Insurance Commissioner's plan to allow insurers to raise premiums for all Californians.

Recently, California's Insurance Commissioner announced a plan to allow insurance companies to increase premiums for homeowners and renters across the state if insurance companies promise to sell more insurance to people who live in parts of the state that are at a higher risk for wildfires. Do you support or oppose the Insurance Commissioner's plan?

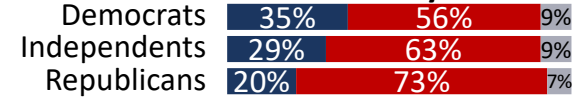


■ Total Support ■ Total Oppose ■ Don't Know

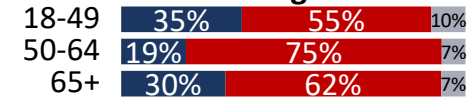
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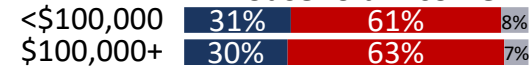
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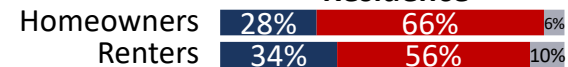
Age



Household Income



Residence



Region

