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.

<table>
<thead>
<tr>
<th></th>
<th>NATIONAL</th>
<th>CALIFORNIA</th>
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</thead>
<tbody>
<tr>
<td>Direct Incurred Loss Ratio</td>
<td>61.7%</td>
<td>60.6%</td>
</tr>
<tr>
<td>Direct Underwriting Profit</td>
<td>1.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Direct Profit on Homeowners</td>
<td>2.9%</td>
<td>3.6%</td>
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<tr>
<td>Insurance Transaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Return on Net Worth</td>
<td>6.1%</td>
<td>9.2%</td>
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*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.

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27 withdrawn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

Total Auto Savings $3.68 Billion
Total Homeowners Savings $2.28 Billion
Total Med Mal & Business Savings $0.08 Billion
Total Combined Savings $6.06 Billion

Total awarded to Consumer Watchdog to pay for experts, including actuaries, lawyers, geologists, and economists. $13.5 Million

Intervenor cost 25¢ per $100 saved (including Consumer Watchdog and outside experts & counsel)
## Savings from Consumer Watchdog Rate Challenges, Nov-Dec 2023

<table>
<thead>
<tr>
<th>Company/Line of Insurance</th>
<th>% Rate Increase Requested</th>
<th>% Rate Increase Approved</th>
<th>$ Savings</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEICO Auto</td>
<td>20.80%</td>
<td>12.80%</td>
<td>$356 million</td>
<td>4/30/24</td>
</tr>
<tr>
<td>State Farm Homeowners/Renters/Condo</td>
<td>28.10%</td>
<td>20%</td>
<td>$199.7 million</td>
<td>3/15/24</td>
</tr>
<tr>
<td>State Farm Auto</td>
<td>24.60%</td>
<td>21%</td>
<td>$152 million</td>
<td>2/26/24</td>
</tr>
<tr>
<td>Pacific Specialty Homeowners</td>
<td>6.90%</td>
<td>3%</td>
<td>$6.3 million</td>
<td>by 4/21/24</td>
</tr>
<tr>
<td>Allstate Auto</td>
<td>35%</td>
<td>30%</td>
<td>$149.5 million</td>
<td>2/7/24</td>
</tr>
<tr>
<td>State Farm Rental Dwelling Owners</td>
<td>20%</td>
<td>11.43%</td>
<td>$21.5 million</td>
<td>2/1/24</td>
</tr>
<tr>
<td><strong>Total Savings:</strong></td>
<td></td>
<td></td>
<td><strong>$885 million</strong></td>
<td></td>
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</table>
Insurance company delays and Department of Insurance scheduling drive rate challenge timelines.

- Auto, home, malpractice rates approved with Consumer Watchdog participation
- Mercury/CAIC Auto Class Plans
- Pacific Specialty (Mobile Home Renters and Condo)
- Pacific Specialty Preferred HO
- State Farm HO
- State Farm Auto
- Farmers, Fire, Mid-Century HO
- Homesite HO
- Farmers/Fire (Renters and Condos)
- CSAA HO
- Farmers Personal Property
- GEICO Auto
- Medical Insurance Exchange of California
- CAIC Auto
- Mercury Auto
- State Farm Auto
- Farmers HO
- Interinsurance Exchange of the Automobile Club
- USAA-Casualty and Garrison HO
- Safeco / First National HO
- Allstate HO
- Infinity Auto Special & RSVP
- CSAA Auto
- Farmers HO
- Farmers Auto Business & Professional

- Time from rate challenge filed to scheduling of first conference
- First conference scheduled to first conference
- First conference to resolution
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.

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<tr>
<th>INSURER OF LAST RESORT</th>
<th>MARKET SHARE</th>
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<tbody>
<tr>
<td>California</td>
<td>Florida</td>
</tr>
<tr>
<td>FAIR Plan - 4%</td>
<td>Citizens - 19%</td>
</tr>
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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
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?

- Strongly support: 49%
- Somewhat support: 27%
- Somewhat oppose: 7%
- Strongly oppose: 8%

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

**Gender**
- Men: Total Support 77%, Total Oppose 15%, Don't Know 8%
- Women: Total Support 76%, Total Oppose 14%, Don't Know 10%

**Party**
- Democrats: Total Support 84%, Total Oppose 7%, Don't Know 9%
- Independents: Total Support 69%, Total Oppose 22%, Don't Know 9%
- Republicans: Total Support 71%, Total Oppose 22%, Don't Know 8%

**Age**
- 18-49: Total Support 73%, Total Oppose 20%, Don't Know 8%
- 50-64: Total Support 75%, Total Oppose 15%, Don't Know 11%
- 65+: Total Support 85%, Total Oppose 6%, Don't Know 9%

**Household Income**
- <$100,000: Total Support 86%, Total Oppose 10%, Don't Know 4%
- $100,000+: Total Support 72%, Total Oppose 19%, Don't Know 9%

**Residence**
- Homeowners: Total Support 73%, Total Oppose 17%, Don't Know 10%
- Renters: Total Support 87%, Total Oppose 9%, Don't Know 9%

**Region**
- Los Angeles County: Total Support 74%, Total Oppose 17%, Don't Know 8%
- Counties Surrounding LA: Total Support 68%, Total Oppose 19%, Don't Know 13%
- Bay Area: Total Support 79%, Total Oppose 16%, Don't Know 11%
- San Diego: Total Support 82%, Total Oppose 11%, Don't Know 8%
- Sacramento/Rural North: Total Support 83%, Total Oppose 8%, Don't Know 9%
- Central Valley/Central Coast: Total Support 85%, Total Oppose 10%, Don't Know 12%
- Inland Empire: Total Support 74%, Total Oppose 13%, Don't Know 12%
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?

- Definitely yes: 19%
- Probably yes: 11%
- Probably no: 10%
- Definitely no: 45%
- Don’t know: 15%

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

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

- Strongly support: 9%
- Somewhat support: 21%
- Total Support: 30%
- Somewhat oppose: 21%
- Strongly oppose: 41%
- Total Oppose: 62%
- Don’t know: 8%

Gender:
- Men: 29% support, 63% oppose, 8% don't know
- Women: 30% support, 61% oppose, 9% don't know

Party:
- Democrats: 35% support, 56% oppose, 9% don't know
- Independents: 29% support, 63% oppose, 9% don't know
- Republicans: 20% support, 73% oppose, 7% don't know

Age:
- 18-49: 35% support, 55% oppose, 10% don't know
- 50-64: 19% support, 75% oppose, 7% don't know
- 65+: 30% support, 62% oppose, 7% don't know

Household Income:
- <$100,000: 31% support, 61% oppose, 8% don't know
- $100,000+: 30% support, 63% oppose, 7% don't know

Residence:
- Homeowners: 28% support, 66% oppose, 8% don't know
- Renters: 34% support, 56% oppose, 10% don't know

Region:
- Los Angeles County: 29% support, 62% oppose, 9% don't know
- Counties Surrounding LA: 27% support, 62% oppose, 11% don't know
- Bay Area: 33% support, 59% oppose, 8% don't know
- San Diego: 34% support, 66% oppose, 7% don't know
- Sacramento/Rural North: 32% support, 55% oppose, 13% don't know
- Central Valley/Central Coast: 22% support, 71% oppose, 7% don't know
- Inland Empire: 30% support, 64% oppose, 6% don't know