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New Legislation by Daly & Cooley Seeks to Stabilize Homeowners Insurance Market in High-Risk Areas

New legislation has been introduced by Assemblymember Tom Daly (D – Anaheim) and Ken Cooley (D – Sacramento) removing obstacles caused by wildfire risk and climate change which in turn directly impacts California’s homeowner’s insurance market.

Assembly Bill (AB) 2167 provides for an expedited review of special rate filings in the communities that are experiencing the biggest problems getting and keeping their insurance. The bill also preserves the power of the Insurance Commissioner to make sure insurance rates are fair and insurers live up to the commitments they make to write insurance in these communities.

Under the bill, insurers may seek an expedited approval from the Insurance Commissioner for rate flexibility if the insurer commits to issuing or renewing more homeowner’s policies in high-risk counties.

Many insurers have re-evaluated their exposure to fire risk and therefore, reduced the number of policies they provide in high-risk areas. This has resulted in a painful process for many homeowners, who’ve then had to seek coverage through other insurers. While the overwhelming majority of those homeowners have been able to obtain insurance from another company, the new policies are often more expensive.

“Too many homeowners in California are suffering the consequences of insufficient competition in the insurance market,” Assemblymember Daly said. “This bill will bring more insurers back to the market and give consumers more options to choose from. And it will help stop the cycle of non-renewals and ease the minds of homeowners who are afraid to open the mail.”

Under this measure, insurers would be able to file an “insurance market action plan” (IMAP) with the Insurance Commissioner. The IMAP would specify the combination of rate relief and underwriting criteria required to support a mandate for the insurer to issue or renew more policies in high-risk counties. The Insurance Commissioner would retain full discretion to approve or deny the proposed IMAP. If an IMAP is approved, the insurer would be obligated to issue or renew more policies in high-risk counties.
“Market action plans help increase homeowner’s insurance access in states where catastrophes like fire, flood or hurricane have made insurance hard to find,” Assemblymember Cooley said. “They give regulators a useful tool that can help ease access issues without causing problems for other insurance customers.”

California has experienced a massive increase in the loss of life and property caused by wildfires. Beginning in 2015 with a spate of fires in Lake County, wildfires have devastated communities around the state including enormous fires in Butte, Shasta, Sonoma, Napa, Ventura, Santa Barbara and Los Angeles Counties. Among the many consequences of these fires are significant changes in the homeowner’s insurance market in high-fire-risk areas.

Homeowners who can’t find new coverage after receiving a non-renewal from their previous provider have the option of getting coverage through the FAIR Plan. FAIR Plan coverage is limited in scope and very expensive. It is anticipated that rates approved through an IMAP filing will be lower than FAIR Plan rates.

The bill will be heard by the Assembly Insurance Committee in April.

Assemblymember Tom Daly represents California’s 69th Assembly District, which includes the cities of Anaheim, Garden Grove, Orange and Santa Ana.

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