VOLUME TEN

HOW CALIFORNIA BURNED DOWN ITS HOME INSURANCE MARKET

AND WHY REGULATORY REFORM CAN REBUILD IT

By Steven Greenhut

free cities CENTER

Launching an Urban Comeback

HOW CALIFORNIA BURNED DOWN ITS HOME INSURANCE MARKET
AND WHY REGULATORY REFORM CAN REBUILD IT

By Steven Greenhut

How California Burned Down Its Home Insurance Market and Why Regulatory Reform Can Rebuild It

By Steven Greenhut

September 2026

ISBN: 978-1-934276-91-4

Pacific Research Institute
P.O. Box 60485
Pasadena, CA 91116

www.pacificresearch.org

HOW CALIFORNIA BURNED DOWN ITS HOME INSURANCE MARKET
AND WHY REGULATORY REFORM CAN REBUILD IT

By Steven Greenhut

PACIFIC RESEARCH INSTITUTE

Introduction: A Predictable Problem Turned Into a Crisis

IT'S NOT A USUAL occurrence for people outside the insurance industry to spend much time talking about property-insurance issues. Most of us steadfastly avoid people who chatter at parties about actuarial tables, rising prices in the international re-insurance market, or who have strong opinions about the competence of the state insurance commissioner. In a normal world, none of my non-work-related friends would even know the name of that commissioner.

But for several years, California has not been a normal world when it comes to property and casualty insurance, and to a lesser degree automobile insurance. So there I was at a picnic where a sizable group of my friends were talking about insurance in the agitated manner that people might talk about the latest San Francisco 49ers playoff loss. While none of them was a policy wonk, they all had more than a passing understanding of the latest insurance news.

The reason, of course, is California's long-distorted insurance market reached a level of dysfunction that had tangible consequences for ordinary middle-class people who spend their days working in sales, healthcare, education and whatnot. Some of the homeowners I talked to—especially those who lived in the heavily wooded Sierra Nevada foothills east of Sacramento—faced non-renewals and insurance quotes of $6,000 a year or more.[1] Some had no choice but to sign up for skeletal but expensive policies from the state-created but industry funded insurer of last resort, the FAIR (Fair Access to Insurance Requirements) Plan. Everyone was worried about losing insurance when their term came up.

I experienced some of these concerns personally. My wife and I bought our downsizing home a couple of years ago and rented it before we were able to sell our small ranch and move into town. Shifting from a landlord policy to an owner-occupied one required an entirely new policy—and our insurer no longer was writing new policies. It took some frantic calling to insurance agents to find new coverage. I finally found one from a standard carrier after only finding policies from unregulated surplus-lines companies with oddball names that inspired little confidence. I didn't even worry about price. One of my rental properties (in a low-risk area, but a high-risk region) saw its premium quadruple—and my agent advised that I just pay the price rather than risk having nothing.

It was a stark reminder of an obvious fact: Insurance is the backbone of the state's real-estate market, a necessity for anyone who owns a home or operates a business. Its origins date to the Code of Hammurabi in the 1700s BC, when Babylonian King Hammurabi instituted a risk-pooling system for cargo ships. If the cargo were lost at sea or stolen by pirates, the merchants didn't have to pay back the loans they took out to finance the voyage. It spread the risks in a way that encouraged commerce—and it was more productive and humane than the alternative: selling the merchants and their families into slavery if the ship's cargo was destroyed along the way.[2]

I was pleased that most of my friends were savvy enough to know that something was going on that defied the usual explanations offered by self-styled consumer advocates. No one is particularly sympathetic to insurance companies and for understandable reasons perhaps, but thoughtful people realize that sudden boosts in prices and scarcity of policies are not triggered by an increase in "corporate greed." California ought to be the most lucrative insurance market in the nation given its large population. Yet companies that exist solely to sell insurance policies no longer were willing to sell them to people who want to buy them. Something wasn't right and that something is rooted in state policy.

It's common for Californians to just blame the insurers. I moderated an insurance panel at the Pacific Research Institute's Sacramento conference this year, with panelists that included former state Sen. Ted Gaines (now a candidate for El Dorado County supervisor), who ran his family's insurance business in Placer County before entering politics. He specialized in insurance issues during his time in the Legislature. I asked him whether his clients—who he said were scared and furious about the insurance situation—blamed state regulation or the insurance companies. He laughed and said it was almost entirely the latter.[3] Some insurers have received criticism for their claims-handling following the Los Angeles area wildfires and other disasters, but this is mainly a regulation-driven situation.

The current problems didn't take place overnight, even if some recent events became the catalyst. It actually took several years before some of these easily predictable problems reached the point that I described above. Pay attention to the following timelines. I wrote this summary in the *American Spectator* in 2021, around two years before the state's insurance crisis exploded onto the front pages and intruded on easy-going backyard barbecues:

> In the property insurance area, California insurers had a 13-year string of profitability, but a variety of wildfires in the last few years have led to significant losses. As a result, insurers have stopped renewing policies to many homeowners living in wooded areas. The situation is likely to get worse. Whether one blames climate change or more-mundane factors, the state is facing another drought — thus leaving many wooded areas more vulnerable to fire.[4]

Insurance company losses and a subsequent reduction in underwriting in the so-called Wildland Urban Interface or WUI (wooded areas on the outskirts of metropolitan areas) gave a preview of the crisis to come. And then the rapid growth in FAIR Plan policies was another sign of trouble for anyone who was focused on the increasingly obvious struggles in the insurance industry. The R Street Institute's insurance expert Jerry Theodorou highlighted these numbers in a January 2023 column in the Southern California News Group:

> Another indicator of a sickly insurance market is the growth of California's FAIR Plan. This is a last resort for homeowners who are turned away by private market insurers. And Californians are definitely using it; policies have increased by 240% since 2017. Such strong growth in the FAIR Plan is a sure sign that the private market is dysfunctional.[5]

Then in March 2023 I made this point in a column for the *Wall Street Journal*:

> The recent floods and wildfire season not only have battered the state's infrastructure; they have also saddled insurance firms with as much as $1.5 billion in losses. Insurance markets could weather these blows, but the government-controlled insurance system won't let them. Thus, insurance companies are pulling out of the state or reducing their underwriting, leaving many homeowners dependent on the bare-bones insurer of last resort.[6]

I'm chapter-and-versing these unfolding warning signs because—despite what state officials often said after the crisis broke onto the front pages—the state's insurance industry crisis was not some perfect storm that came out of the sky (or the forests) without warning. Neither was it an inevitable result of climate change, a situation that cannot be fixed until governments across the world reduce carbon dioxide emissions sufficiently to reduce risks from heat and drought. Climate change is likely a contributing factor to the increased number of droughts and wildfires, and spiraling losses. But state officials have limited ability to control wildfires or the Earth's weather patterns. They do have control over the state's insurance-regulation system. They can make it more resilient in the face of those challenges. Yet they refused to address the cumbersome rules that impede proper risk modeling and pricing—even after wildfires in 2017 and 2018 inevitably resulted in the above warnings.

These impending problems finally caught the state's attention in May 2023, after State Farm General Insurance Co.—the state's largest property insurer, which underwrites around 21% of all homeowners' policies—announced that it was pausing new underwriting in California while continuing to service existing policies. As the company explained in a statement that month, it "made this decision due to historic increases in construction costs outpacing inflation, rapidly growing catastrophe exposure and a challenging reinsurance market … [I]t's necessary to take these actions now to improve the company's financial strength."[7]

Bottom line: The insurer could not afford to risk its company's financial health given that another set of wildfires could impose tens of billions of dollars of costs. Other companies felt the same way and followed suit. Back in 2021, I argued that insurers were quietly leaving the state. The State Farm announcement signaled the end of the quiet part. As the Independent Institute noted in May 2025, "Since 2022, seven of the 12 largest insurance companies in California have limited new policies in the state."[8] And, voila, the problem spiraled out of control. As I explain later in this booklet, the market has since stabilized a bit as a few insurers have increased underwriting after a series of useful reforms, but California isn't out of trouble yet—and the candidates for insurance commissioner in the November election have starkly different visions of what to do next.

Proposition 103 and the Roots of the Crisis

DIFFERENT STATES HAVE DIFFERENT insurance problems that often are pinned on the natural disasters that make the headlines. For instance, Florida also recently faced soaring home-insurance rates, with premiums averaging \$5,000 to \$10,000 in coastal regions. Likewise, private insurers had been fleeing the state, leaving Florida's version of the FAIR Plan, the Citizens Property Insurance Corp., overburdened. An astoundingly high portion of Florida property owners—20% by most estimates—had no home insurance whatsoever. The state's frequent hurricanes were the proximate cause, but the underlying problem was regulatory.[9]

"To put this issue into perspective, in 2021, Florida accounted for just 6.9% of all property insurance claims in the U.S., yet it made up over a staggering 76% of all property insurance lawsuits in the entire country," according to a February 2025 report by the Florida Chamber of Commerce.[10] The issue centered on the state's lawsuit-related regulations. Basically, the state's laws incentivized bad-faith and third-party lawsuits. After a series of reforms, Florida saw "a shift in the market that's bringing in new insurers and leading to rate reductions, rate freezes and slower premium increases for others," the chamber added. The market has improved even more since it released that report, although it still has high prices and other problems.

In California, the proximate cause of our challenges isn't hurricanes, of course, but wildfires. The state experienced a particularly devastating series of them in 2017 and then 2018, which came five years before State Farm announced an end to new underwriting and a total exit from some lines. Yet despite the 2025 wildfires in the Los Angeles area—one of the worst natural disasters in American history—several major insurance companies have since started to *increase* underwriting.

I've talked to insurance executives, who explained that the companies have planned for massive losses, with even the $30 billion or so in LA-area damage within these companies' range of preparation. The issue isn't wildfires per se, which have always been a given in our arid climate and are accounted for by insurance actuaries. It's pricing: the ability of insurers to price their policies to reflect their level of risk. Certainly, minimizing fires through state land-management policies and hardening neighborhoods to endure those fires is of great and growing importance, but the fundamental problem in terms of the state's insurance market centers more on the regulatory environment than the natural environment.

This brings us to Proposition 103, which created the framework for California insurance regulation. Passed by voters in 1988 by a narrow 51% to 49% margin, the measure created what's known as a prior-approval system, whereby the California Department of Insurance and its commissioner gained the power to approve and even roll back rates for property and auto insurance. "Requires minimum 20% rate reduction from November 8, 1987, levels, for automobile and other property/casualty insurance," per the ballot language. "Freezes rates until November 8, 1989, unless insurance company is substantially threatened with insolvency."[11] These are price controls. In whatever market they are used (gasoline, rents, etc.), they result in shortages because the companies providing the products or services pull back rather than sell them below market rates.

Proposition 103 also turned the insurance commissioner into an elected position, which was impactful. Few politicians who run for that post are insurance experts, but often see it as a stepping stone toward higher or other office. The political incentive is for politicians to clamp down on rates, as no aspiring governor or member of Congress wants to be the one who allowed large hikes in voters' insurance policies. Combining political incentives with price controls kept Californians' rates artificially low. So did the slow-moving bureaucratic rate-review system that didn't allow insurers to quickly adjust rates as needed based on market conditions. That led to a contraction in the market, which became pronounced after a few years of sustained wildfire-related losses. The attrition took some time, but its arrival was, again, entirely predictable.

Written by prominent consumer attorney Harvey Rosenfield,[12] the initiative actually was prompted by a crisis in the auto-insurance market in the 1980s. (Proposition 103 has also restricted rates in the auto market, with insurers facing pricing challenges as inflation has driven up the cost of collision repairs. But the measure has hit the property insurance market the hardest because of the unpredictability of wildfire losses, whereas car-accident rates don't surge as dramatically.) In the 1980s, car insurance rates were soaring largely because of a California Supreme Court decision that caused an explosion of third-party accident lawsuits.

In the 1979 *Royal Globe* decision, the high court "gave an accident victim the right to bring a claim for punitive damages against another person's liability insurer if the victim felt that the insurer had engaged in unfair claims settlement practices," a 2001 RAND study explained.[13] "Before *Royal Globe*, trends in average bodily injury compensation and the relative frequency of claims in California were similar to those in the 31 other tort states. However, after *Royal Globe* was adopted in 1979, both the average compensation payment and the frequency of claims increased significantly in California."

Similar to more recent trends in the property market in Florida, California's experiment in incentivizing third-party lawsuits drove auto rates upward. After the California court overturned that decision nine years later, rates immediately fell. But the political damage had been done. Upset by rising insurance auto costs, voters that same year approved Proposition 103, which was an "easy button" fix to the problem by allowing government to overrule the marketplace in auto and property insurance. It provided a prominent and lucrative role for consumer-attorney "intervenors" to insert themselves in the rate process and challenge any proposed rate hike. By design, Prop. 103 requires insurers to pay for the intervenors. It's no surprise that the state's main intervenor, Consumer Watchdog, is the successor to the group founded by Rosenfield.[14]

A 2023 report by Lawrence Powell, R.J. Lehmann and Ian Adams at the International Center for Law & Economics (ICLE) provided a telling glimpse at what's involved for insurers seeking to adjust their rates under the Prop. 103 system:

> It has proven exceedingly challenging for petitioners to navigate the manner in which rate hearings—the

> nominal guarantors of due process—are conducted. The administrative law judges (ALJs) that oversee these proceedings are housed within the CDI. … Thus, in practice, insurers are faced with a starkly practical choice. One option is to waive their right to timely review of rates, and hope that they gain approval in, on average, six months. The alternative is to move to a formal hearing and reconcile themselves with the fact that approval, if forthcoming, will take at least a year.[15]

And then consider that an insurer might go before the commission and request the maximum 6.9% rate hike, only to have the commissioner unilaterally roll back rates by an even larger amount. In one case I reported on for *American Spectator*:

> State Farm had come before the department to seek a 6.9% rate hike in a period of drought. The dry conditions, it argued, increased the company's wildfire risks. But … administrative Law Judge John H. Larsen 'ordered a 5.37% decrease for non-tenant homeowners' rates, a 20.39% decrease for renters' rates and a 13.81% decrease for State Farm's condominium insurance lines. The rate reductions were ordered retroactively to July 15, 2015, and State Farm was told to pay a 10% annual interest rate as part of its refunds, which are expected to total around $85 million.[16]

The California Department of Insurance (CDI) based its findings in part on the earnings of State Farm Mutual, which is the parent company of the California-based State Farm General Insurance Co. The latter ultimately prevailed in a real court, after a long and costly battle. But it still was forced to pay more than $1 million in fees to the intervenors who had argued against the hike. It's another example of how hard it is for insurance companies to adjust rates, and why they often find it not worth the bother. Imagine what would happen if car companies or cellphone providers or any industry that you can envision had to go through this type of process to increase or even decrease prices. No wonder California insurers just quietly reduced their presence here.

Despite the problems inherent in Proposition 103, the system could function adequately—although never optimally—if the department adopted a variety of reforms that the industry and market-oriented observers had long advocated. Part of the problem is how the department implements the initiative. Even when the coming disaster became obvious, it's hard to redirect a bureaucratic battleship. The best the Legislature produced was a moderate reform that merely allowed insurers to raise some rates in high-risk areas in exchange for agreeing to write more high-risk policies.

Insurance Regulation Isn't the Only Problem

INSURANCE REGULATION IS OBVIOUSLY the core concern when it comes to the state's insurance crisis, but the state's building regulations, wildfire policies and water policies played into its bungled response to those Los Angeles wildfires in particular. The California Environmental Quality Act (CEQA), which requires Environmental Impact Reports and opens developers to lawsuits from virtually anyone on almost any project that requires a discretionary legislative approval, impeded the state's brush-clearance efforts. It also made it difficult to rebuild housing stock that was obliterated after the fires.

In my testimony to the U.S. House Judiciary Committee in February 2025, I made the following points:

> After the devastating Paradise fire in 2018, it took two years to get the first permit out for bid. The state could, for instance, consider using more funds from the Greenhouse Gas Reduction Fund to pay for this, rather than, say, prioritizing a high-speed-rail system that is unlikely to do much about the climate. The state prioritizes such boutique 'climate' projects over its

> fundamental responsibilities, and even those projects are plagued by cost overruns and delayed timelines.[17]

State officials continually point the finger at climate change whenever they discuss the state's insurance woes. Yes, climate change likely is exacerbating the wildfire risk, but our own climate policies and climate-related spending priorities impede effective wildfire-battling strategies. Water is a tangential problem when it comes to wildfires, but an abundance-based water strategy could reduce wildfire risk by combatting drought conditions and assuring adequate water for firefighting purposes in the midst of a spreading fire. To the latter point, news reports about the Santa Ynez Reservoir revealed that it sat empty as the Los Angeles Department of Water and Power fixed a tear in its floating cover. A full reservoir wouldn't have stopped the fires, but it would have made battling them easier. As of this writing, the reservoir is empty again for a similar repair reason.[18]

By most measures, the Los Angeles area rebuilding is excruciatingly slow even after local governments and the state exempted rebuilding projects from the dictates of CEQA, the Coastal Act and several other laws and regulations. This isn't an insurance issue, of course, but these hurdles gum up the entire process—and then insurers receive the lion's share of blame for the frustration. Insurers also are delayed in paying for home reconstructions as the permitting process drags on. No wonder homeowners often have become livid.[19]

Given the state's overall challenging regulatory environment, it would at least have helped to have insurance commissioners who were up to the challenge and who could pressure the Legislature for a variety of needed wildfire-related and other reforms. However, the state has largely vacillated from commissioners with a consumer-activist bent whose ideas are the opposite of what's needed to revive the market—and those who are asleep at the switch are insufficiently expert in the insurance field and/or have a penchant for scandal.

Commissioners Aren’t Always Up to the Task

DURING HIS FIRST TERM as insurance commissioner, former legislator Ricardo Lara operated in a manner that wasn’t much different from commissioners who came before him. He worked in the Legislature as a chief of staff and communications director, then served eight years as a state senator representing parts of Los Angeles.

Narrowly defeating former GOP commissioner Steve Poizner (who was running as No Party Preference) in the 2018 election, Lara ran on his immigrant background and his parents’ financial struggles. His best-known legislative achievements, based on his campaign website, is that he “authored legislation that would create a single-payer health care system for California and he wrote the Health4All Kids Act—which now covers all California children with full-scope Medi-Cal regardless of immigration status.”[20] He boasts that he’s the first openly gay person to win statewide office in California. For better or worse, Lara is a fairly typical California progressive Democrat, which means that technocratic issues such as insurance markets were rarely at the top of his priority list.

During that race I warned of the importance of voters paying attention to it given its implications for such a crucial marketplace, but the warning signs had yet to present themselves to the broad electorate.[21]

During his first term, Lara mostly distinguished himself by his scandals. A 2019 *Sacramento Bee* editorial's headline asked: "With scandals multiplying, will Ricardo Lara last a full term as insurance commissioner?" The newspaper compared his term to that of Republican Chuck Quackenbush, who resigned after being accused of "using the power of his office to harvest financial contributions from the insurance companies he was charged with regulating." Quackenbush was never charged with a crime, the newspaper noted, but he was unable to continue in his job after losing his credibility.[22]

Lara was likewise criticized for receiving donations from the industry he regulates. He also was caught hobnobbing with insurance lobbyists and billing taxpayers for his second apartment in Sacramento. None of this was illegal, columnist Dan Walters explained, but "it was…unseemly, and he handled it clumsily."[23] Lara survived and won re-election in 2022 by the typical 60% to 40% margin over Republican challenger Robert Howell, an unknown with miniscule campaign funding.

Lara's governance remained rocky well into his second term. In 2024, ABC 7 News reported: "California's insurance crisis is in chaos, spurring calls for the state's Insurance Commissioner, Ricardo Lara, to step down if he's unwilling to hold insurers accountable."[24] Granted, those criticisms came mostly from consumer attorneys and their political allies who wanted him to be more aggressive in clamping down on rate hikes and investigating the industry, but the story portrays a commissioner who was caught flat-footed long after the insurance crisis unfolded.

One of Lara's worst missteps involved his handling of Canadian insurer, Wawanesa General Insurance. The company sought a rate increase for its auto policies, but the slow-moving Department of Insurance took 15 months to get to it. The company abandoned the market and ultimately sold its U.S. subsidiary to the Automobile Club of Southern California.[25] Under Lara, it was at first business as usual, except that the property insurance market was now teetering on the brink.[26]

Looking back at commissioners, the situation has not often been encouraging. U.S. Rep. John Garamendi was the first commissioner elected since Proposition 103's passage (he won again years later). For insight into his worldview, consider that in December 2025, after some of the department's recent reforms started to have positive results, Garamendi publicly stated, "The current commissioner has failed his obligations to the consumers."[27]

Dave Jones, who served two terms before Lara, took a strict approach to rate regulation, seemed sympathetic to consumer activists and steadfastly blamed climate change for the state's insurance woes. Jones, who now heads a climate initiative at UC Berkeley Law School, recently said, "I fear that in the long run, there isn't some insurance regulatory dial or policy knob that we can turn that ultimately is going to keep insurance available, because the background risk keeps growing and climate change is basically creating new primary perils to kill us and injure us and cause insurers huge losses."[28] With that perspective, it's not surprising Jones wasn't willing to adjust the regulatory dial.

Surprisingly, as California's insurance market teetered on the brink, Lara consulted with insurance commissioners across the country. He worked closely with Florida's commissioner Mike Yaworsky, who was appointed by Republican Gov. Ron

DeSantis—an odd relationship he touted at a recent insurance-industry wildfire summit outside San Francisco. He listened to the insurance industry and market-oriented experts. He says that he was yelled at by frustrated homeowners during myriad town halls, but held them even before the department had any hard-and-fast solutions.[29] Lara has endured much-deserved criticism for some of his taxpayer-funded world travels. But he has developed a Sustainable Insurance Strategy that adopted most of the best-practice reforms needed to stabilize the state's insurance market.

Several insurers in 2025 announced a return to underwriting in California—and others have made similar announcements since then. Let's look at these reforms.

Is the Sustainable Insurance Strategy Sustainable?

DESPITE ITS WONKY NAME, the strategy implemented significant changes—ones the insurance industry had long needed. "The Sustainable Insurance Strategy aims to stabilize California's insurance market, which serves consumers, homeowners and businesses. Although voters approved Proposition 103 over 30 years ago, its regulations have largely remained unchanged despite the growing challenges posed by climate change and other external factors," the department explains.[30] Indeed, the reforms are designed to work within the Proposition 103 system, as any major changes to the initiative would require another vote of the people—a political battle that even the insurance industry is loath to wage.

Speeding up rate reviews. The first regulatory update involved the issue of rate reviews, namely to speed up the rate-review process. The department didn't give up its power to set rates, but realized that insurers need quicker decisions so that they can adapt to market conditions and avoid the Wawanesa fiasco. Speeding the process didn't undermine Proposition 103, but is designed to bring CDI's behavior in line with the initiative's dictates. Its language required a 60-day deadline, but average reviews took three to four times that long.

In an August 2024 bulletin, the department imposed the following shot clocks:

> Once an insurance company has filed a rate application with the Department's Rate Regulation Branch seeking a rate change and a complete rate application has been subsequently placed on Public Notice, the Department shall review the file within 60 days of the filing's Public Notice date. If more time is needed to communicate with the insurance company about unresolved issues within the rate application and/or to solicit additional information from an insurance company in order to make a determination about the pending application, the process will allow for up to two additional 30-day extensions after the original 60-day review period has ended as long as the Department shares information in writing on the status of the filing … to the insurance company and any intervenor granted participation in that pending rate application.[31]

Regarding actual reviews before his department, Lara had granted every rate request, although not always by the amount requested. State Farm continues to tussle with CDI over one request, but the department certainly helped most insurers play catch up. "No rate shall be approved or remain in effect which is excessive, inadequate, unfairly discriminatory or otherwise in violation of this chapter," per Proposition 103's language. Insurance commissioners have always focused on protecting against the vaguely termed "excessive" rates, but a commissioner is well within the office's authority to also assure that rates were not "inadequate."[32] That's defined in the initiative language as follows: "Rates under which a reasonably efficient insurer is not expected to have the opportunity to earn a fair return on the investment that is used to provide the insurance." When major insurers are pulling back, it's easy to conclude that their rates don't meet that adequacy standard.

The department is right that these speedier timelines "create certainty in the insurance marketplace." It's difficult for insurance companies to make underwriting decisions—and everyone agrees that California needs more underwriting—if the rate process drags on for a year or more. "The insurers got all these things they requested, but I don't think we're going to see much, if any additional insurance written in the high-risk wildfire areas because of the way in which these things were constructed," former commissioner Jones told *State Affairs* in March.[33] But the rate-review reforms in particular resulted in this good news, per the department the same month: "Carriers that have said they will expand coverage in the state include Farmers, Mercury, AAA SoCal, USAA, Nationwide, CSAA and Allstate."[34] That's progress. While rate review reforms are the short-term key, other Sustainable Insurance Strategy reforms are designed to shore up the market over the longer term.

Greenlighting the use of catastrophe modeling. If, as state officials claim, climate change is intensifying the state's insurance crisis, then it only makes sense to allow insurers to base their rate profiles on forward-looking models that take into account a warming climate. Frankly, it doesn't matter whether an increased number of fires or more intense droughts are caused by climate change or normal weather fluctuations. But insurers should be able to use modeling to determine their risk. Before the reforms, however, insurers only were allowed to base their rates on past losses.

As State Farm explains, "California regulators have established a framework that allows the use of forward-looking, scientifically-based risk modeling, which can predict the likelihood of catastrophic events. As the Sustainability Insurance Strategy is implemented in 2025 and beyond, insurers will have the ability to use catastrophe risk modeling when setting rates since relying solely on 20 years of historical losses to determine rates is no longer effective in assessing current risk. Catastrophic risk modeling is used in almost every other state."[35]

CDI also sponsored 2025 legislation, Senate Bill 429. It creates the nation's first public catastrophe-modeling system. My view is insurers rather than the state government are best able to handle these predictions, but the system has its plusses. It will provide easily accessed public information about wildfire claims and risks. It will encourage localities to identify their "wildfire mitigation priorities identified in local and state hazard mitigation plans and in after-action reports following federal major disaster declarations related to wildfires."[36] We'll see how it works, but the legislation—which passed out of both houses without any "no" votes—takes a public-information approach toward mitigating wildfire risks. It's far better than the old approach, which discouraged future modeling.

Allowing insurers to account for rising reinsurance rates. Reinsurance is the insurance that insurance companies buy. The more they buy, the more consumer policies they can write as the reinsurance helps protect the insurance companies' financial reserves. Until recently anyway, reinsurance rates have been rising dramatically. As *Moneygeek* explained in April, "Reinsurance transfers catastrophic loss exposure from primary insurers to specialized reinsurance companies in exchange for a share of premium revenue. When reinsurance costs rise, primary insurers pass those costs to policyholders through higher premiums. Global catastrophe losses, claims inflation and reduced reinsurer capital capacity have pushed reinsurance costs sharply higher in recent years."[37]

Yet despite these trends, California's encrusted regulatory system has not allowed California registered insurance companies to factor those rising costs into their policy costs. The Sustainable Insurance Strategy finally allows for it. A 2024 *Insurance Journal* article states that, "All other states except California allow for costs of reinsurance as a ratemaking factor. According to the CDI, reinsurance is the primary strategy most carriers use to continue to write and expand coverage in higher risk parts of California." The insurance industry views it as critically important if it is expected to cover more high-risk properties.

Consumer Watchdog told that publication that the plan could drive up home-insurance rates by 40%, but that's preposterous—and indeed California is seeing rates stabilize as the CDI reforms take hold. And allowing insurers to price in reinsurance rates doesn't mean that it's a one-way ratchet. The latest news on the reinsurance front is positive, as reinsurance rates have been falling globally in summer 2026. Note this *Investing.com* article from June 2026: "Global property catastrophe reinsurance rates declined 16% on a risk-adjusted basis at mid-year renewals, down from a 12% decrease on January 1, Guy Carpenter said... The broker attributed the drop to abundant capital and stronger reinsurer appetite, which kept pricing competitive."[38] At the Guy Carpenter Bay Area summit I attended, the assembled insurance executives touted this good news, which will reduce pricing pressure on California homeowner policies.[39]

What about those pesky intervenors? Lara has announced a plan to reform the intervenor process. That's genuinely big news given the way that intervenors delay and obstruct the pricing process.[40]

In April 2026, CDI issued a regulation to address intervenor participation and compensation. "Some groups have misrepresented these reforms as limiting consumer voices. That is simply false," Lara said. "The right to intervene remains untouched. What changes is the expectation that compensation must be earned, documented and aligned with the issues in the proceeding."[41] The reforms tighten up definitions for when they get paid, provide additional oversight for settlement agreements, and expand public reporting and public access to the proceedings. Mainly, this reform is designed to keep consumer/trial attorneys from holding the rate-review process hostage as they drag it out and collect high levels of compensation. "Californians deserve to know that every dollar in this system is protected, and I will not allow any organization—insurer or intervenor—to operate without clear guardrails," the commissioner added.

According to the department, the intervenor rules reform the process as follows:

- Clarifying "substantial contribution" and reasonableness standards for an intervenor's request for compensation
- Defining the role of the Department's Administrative Hearing Bureau (AHB) in settlement agreements and requests for compensation
- Requiring regular status updates from AHB Administrative Law Judges every 30 days to all parties

- Expanding public reporting by posting intervenor activity and statistics on the department's website
- Improving public access to proceedings through required posting of AHB calendars, dockets and documents.[42]

Forced to pull his filing in June after Consumer Watchdog complained that "he had relied on materials that were never disclosed to the public, a clear violation of California law," Lara refiled the same basic rules in July after complying with the comment rules.

Despite the controversy, the substance of the regulations are spot on. A 2025 letter from a laundry list of business groups including the California Business Roundtable, the California Chamber of Commerce and the California Building Industry Association strongly supported the proposed intervenor reforms. The letter details how intervenors muck up the rate process:

> Rate filings without an intervenor in 2024 took an average of 256 days to approve. But when Consumer Watchdog—the only intervenor to receive compensation in 2024—was involved, that timeline doubled to 529 days, dragging out the process for nearly a year and a half. … Despite contributing no measurable benefit, Consumer Watchdog—an organization with ZERO members and no accountability—has pocketed more than $22.5 million in intervenor fees by exploiting the intervenor program—the very program they wrote into law. These fees are ultimately paid for by consumers through higher premiums.[43]

As the old saying goes, when you throw a rock into a pack of dogs the one that yelps the loudest is the one you hit. Not surprisingly, Consumer Watchdog issued a statement after Lara issued his proposal: "Ignoring the protests of 32 consumer protection, labor, senior, immigrant, low-income and public advocacy organizations, Insurance Commissioner Ricardo Lara has issued regulations that will make it nearly impossible for members of the public to scrutinize and challenge increases in home, auto and business insurance premiums."[44] The intervenor reforms could indeed be among the most significant ones the department has proposed to date.

California's FAIR Plan: The Canary in the Coal Mine

CONSUMERS' OVERRELIANCE ON THE FAIR Plan is a key indicator of the state's insurance problems, and the reduction on its reliance is also a sign of a stabilizing market. These days, most Californians view this backstop insurance system as a program designed to provide insurance for people who live in hard-to-insure fire-prone areas. Currently, 33 states and the District of Columbia have similar programs, although the reasons for the establishment of the plans vary. Colorado recently implemented one, mainly to deal with wildfire risk and hail damage. That state placed a $750,000 cap on claims, which its backers believe will help maintain its solvency.[45]

Yet the creation of California's FAIR Plan stems from a man-made disaster. The Legislature created the plan in 1968 in response to the Watts riots in Los Angeles, after a police altercation led to six days of rioting that left 34 people dead and required the governor's deployment of the National Guard to restore order.[46] A 2025 column in the *San Francisco Chronicle* reviews some of the aftermath:

> After tallying the $40 million in losses, the industry sharply reduced the supply of insurance in Watts and other neighborhoods of color. In those areas, many property owners could no longer access insurance, and even when they did manage to find coverage, premiums were at least double—and often many times more—what they had been a short while before. . . . [T]he area's insurance market collapsed almost entirely.[47]

The author, Temple University Professor Bench Ansfield, made an interesting but trenchant argument, as he complained that the insurance system essentially placed a "bandage over the root causes of the present crisis, making them harder to see."[48] In other words, by providing insurance in areas that private insurers exited—first in a riot-torn urban area, and then in fire-prone exurban ones—the FAIR Plan made it easier for policymakers to ignore the underlying problems that led to the high risk.

Because it's a private system, insurance sends price signals about underlying risks. When a government-mandated system, albeit one backed by private insurers, intervenes in the market it disrupts those signals that indicate underlying problems that need to be fixed. In California's case, the FAIR Plan enabled the state to delay its response to wildfire risks. Instead of stepping up forest-clearing efforts, it let the situation fester as more people could still access policies, even if those policies were limited and overly costly. The FAIR Plan's existence also let lawmakers avoid regulatory fixes to its Proposition 103 system. I'm not against the plan per se, as it's imperative that homeowners secure some kind of insurance. But in a properly functioning market it shouldn't be needed.

The dramatic increase in FAIR Plan underwriting was, as others have noted, the canary in the coal mine. The FAIR Plan's enrollment grew dramatically—by 43%—between 2024 and 2025, according to *Insurance Business*. It added that "14% of current FAIR policies, and 28% of the plan's total exposure, now sit in largely urban, lower fire risk zones—a sign that carrier pullbacks are spilling into what were once considered 'normal' parts of the market."[49] The FAIR Plan now covers double the number of homeowners as it did five years ago. Its total exposure is $750 billion.[50] The costs of FAIR Plan policies are 15 times higher than they were in 2018. No wonder the plan was facing a full-fledged crisis.[51]

"The FAIR Plan continues to grow in size as consumers find themselves without coverage. As a result, we have doubled in size in the last three years. As those numbers climb, our financial stability comes more into question," FAIR Plan President Victoria Roach warned in 2024.[52] Even if consumer advocates were right (and, like a broken clock, they probably were right) that talk of potential bankruptcy might have been designed to secure a state bailout, it's still remarkable for the head of the organization to warn of looming financial disaster. That was before the Sustainable Insurance Strategy went fully into effect, however. And the state did indeed approve a $1 billion assessment on insurance companies to shore up the plan's finances, a painful but probably necessary move. In California, insurers are on the hook for any FAIR Plan collapse based on the size of their underwriting footprint in the state. That also serves as a disincentive for new policy writing, as the more policies they write the more they potentially would have to pay to bail out the system.

In March 2025, the California Department of Insurance declared that the commissioner "is satisfied that the FAIR Plan has demonstrated that it is in substantial danger of insolvency unless it is authorized to assess its member insurance companies $1 billion to be collected in March 2025, and that the requested assessment is necessary to provide the FAIR Plan with sufficient funds to keep operating and promptly pay claims without interruption."[53] CDI came to an agreement with insurers, allowing them to charge consumers half of the cost of the wildfire surcharge that was used for the billion-dollar bailout. That amounted to around $28 per homeowner, per the *Los Angeles Times*.[54]

Even though the insurance companies still paid for half of the charge, they didn't challenge the measure. Instead, Consumer Watchdog took CDI to court. In a June 30, 2026, decision in Los Angeles County Superior Court, Judge Tiana J. Murillo sided with the department and soundly rejected all of the group's causes of action: "The court therefore rejects all of petitioner's arguments that the bulletins are unauthorized by Proposition 103 or not issued according to appropriate procedures, including its argument that respondents may not authorize a 'non-rate charge that affects the price of insurance.' This disposes of the bulk of petitioner's brief, because most of the brief discusses the commissioner's powers under Proposition 103 …."[55] Consumer Watchdog had argued that Lara exceeded his authority and violated the provisions of the 1988 insurance initiative.

That was a huge victory for insurance reform, as shoring up the FAIR Plan was one of the key elements of the Sustainable Insurance Strategy. In his post-ruling statement, the commissioner offered some well-earned jabs: "While critics choose to complain and litigate from the sidelines, we are doing the hard work to fix a broken system, lower reliance on the FAIR Plan, and get companies back to writing policies. This victory sends a loud and clear message: The era of allowing special interests to derail consumer choice is over. We have the momentum, we have the authority, and we will continue to fight until every Californian has access to the coverage they deserve."[56]

One of the entertaining political sidebars has been the feud between Consumer Watchdog and the commissioner. The group's rhetorical attacks on Lara have sometimes been over the top. Its main argument is that insurance companies should absorb these costs and that the commissioner should clamp down on rates, but Lara recognizes that forcing them to do so would reduce the likelihood that they would get back to writing policies. After the ruling, the group's litigation director, William Pletcher, jabbed Lara for sending "the bill to policyholders of other insurers instead of requiring insurers to absorb obligations assigned by the Legislature. We believe California law requires a different result."[57]

The latest news suggests CDI's approach is succeeding, albeit incrementally. Michael Wara, co-author of a June 2026 Stanford Climate Energy and Policy Program white paper[58] detailing the problematic growth in the FAIR Plan, explained at the Guy Carpenter conference that its growth in underwriting is starting to subside. He also noted that mortgage originations dependent on FAIR Plan policies has fallen recently from 7.5% to 5%.[59] He said the core problem is transitioning from a lack of insurance availability to a lack of insurance affordability. That's still a huge problem, of course, especially as it exacerbates California's housing-affordability crisis. But it's better to have expensive insurance than no insurance—and it's a sign that the market situation is less dire.

The state-imposed assessment, combined with insurers' ability to recoup 50% of their costs, provided insurance companies with more certainty in understanding their exposure if the plan fails—and it makes it less likely that the plan will become insolvent.

It was a grand bargain between the state and insurers, and the court's decision was a relief. The deal also allows the FAIR Plan "to issue assessment(s) exceeding $1 billion for personal lines or exceeding $1 billion for commercial lines in one calendar year," per the department. "The FAIR Plan's member insurers may recoup 100% of any portion of the assessment above $1 billion for the line assessed, but only if the insurer confirms that its assessment payment was not covered by reinsurance or reimbursed through other means."[60]

The state's insurance strategy also seeks to modernize and restructure the plan, which will be achieved through a legislative package.[61] The key measure, Assembly Bill 1680 (the Make it FAIR Act), is moving through the Legislature with overwhelming support as of August 2026. It's a complicated measure that essentially requires the plan to follow the recommendations of the state's oversight report. Per Lara, as quoted in the Senate Insurance Committee analysis:

> The California Department of Insurance's Report of Examination—the most comprehensive review of the FAIR Plan in decades—revealed systemic problems that have left wildfire survivors struggling with delays, denials and inconsistent claims decisions, particularly after the 2025 Los Angeles wildfires, the largest urban wildfire disaster in state history. The examination evaluated the FAIR Plan's financial conditions, corporate governance, and controls to protect policyholders across 32 areas—finding that in more than half of them, the FAIR Plan had not started or fully implemented the department's recommendations.[62]

This insurance program was never meant to be anything more than a safety net. The best way to fix the FAIR Plan is to restore the health of the underlying insurance market. And the best way to assure its health is to allow insurance companies to price their policies to reflect their actual risk and to remove the price controls—and the bureaucratic impediments—that won't allow them to do so. But it's a big question if California will continue its market-oriented self-correction.

Political Trouble on the Horizon

LARA'S PUBLIC-POLICY ACTIONS OVER the past three years mostly reflected the best-practices for reviving an insurance market that's been struggling with contracting competition.[63] However, he is termed out and someone will have to replace him. And the choices could imperil the Sustainable Insurance Strategy. The leading primary vote-getter is former San Francisco Supervisor Jane Kim, who was endorsed by Bernie Sanders. A former director of the Working Families Party, she wants to socialize large portions of the insurance market.

Had Republican Stacey Korsgaden come in second place in the primary rather than a fairly close third, Kim would likely go on to win the general election by the roughly 60% to 40% margins that Democrats receive in statewide races when they are up against a GOP challenger. Instead, Sen. Ben Allen, D-Santa Monica, grabbed the second spot and he has a solid chance to stop Kim in November. It's dicey, though. Insurance companies no doubt view Kim as posing an existential threat, but those companies aren't well liked—and big spending on Allen's behalf could backfire.[64]

I was able to interview the main insurance-commissioner candidates before the primary in my role as a member of the

Southern California News Group Editorial Board. The main contenders came down to Kim, Allen, former Sen. Steven Bradford, D-Inglewood, and Patrick Wolff, a Bay Area entrepreneur with extensive background in the insurance industry. He was a political neophyte and grand-master chess champion. The newspaper group ultimately endorsed Wolff: "He's not seeking higher office, has expertise in the insurance field and the right ideas for reviving the market. He's clearly the person one would pick if the job were about qualifications, not politics."[65]

It's telling that after his loss, Wolff endorsed Allen, based on Allen's willingness to modernize the rate-review process, speed up reviews and improve community wildfire hardening. But Wolff's main concern is what Kim would do if she wins, which is create a publicly run program that he rightly calls "a radical and risky reimagining of the entire insurance system."[66] He quotes the *Chronicle*, which calls it a way to "effectively blow up [California's insurance] system by establishing a state-run single-payer disaster insurance program with guaranteed coverage."

In her pre-primary op-ed in *The Orange County Register*, Kim blasts insurance companies for their profits, then vows to create "a public Disaster Insurance for All program. There are no shareholders to fund. Our money stays in the state. We re-invest our dollars into home hardening, fire and flood prevention to lower risk for everyone. This is not a radical idea; it's the only common sense solution to stabilize the market."[67] It sounds pretty radical to most insurance experts.

Consider how other publicly run insurance programs operate. The FAIR Plan is publicly created and—even though it's privately funded—it has faced innumerable problems largely because it's not based on risks and profit. The National Flood Insurance Program is run by the Federal Emergency Management Agency

(FEMA), although it works in partnership with private insurers. It is routinely viewed as a basket case.[68] It's always at risk of insolvency as it insures properties in areas where few private insurers would offer underwriting. It also encourages people to repeatedly rebuild in areas that inevitably will get flooded again. I dealt with the program to get insurance for a home I owned in a flood-prone community and it took months to get the policy underwritten given its bureaucracy.

Rex Frazier, president of the Personal Insurance Federation of California, raises the obvious tax-related concerns about the "disaster insurance for all" plan: "Interestingly, candidate Kim has not explained why the current California FAIR Plan (CFP) fails to accomplish her goals. The CFP is 100% financially backed by the insurance industry (no taxpayer dollars). The New Zealand catastrophe fund that Kim references that is 100% guaranteed by the national government. Do Californians really want taxpayer liability over private insurer liability?"[69]

Perhaps it's unlikely that Kim could convince the Legislature and voters, who might need to weigh in depending on the specifics of her proposals, to upend the Proposition 103 system and replace it with this publicly owned system. But her ideas suggest that she views private insurance as a problem. That makes it likely that she would be resistant to let markets work and prices rise and fall based on risk. Critics worry that an insurance commissioner who walks back the latest reforms and pushes for a government-run alternative could spark another insurer exodus—just as California's insurance market is beginning, however slightly, to return to normal.

Conclusion: Where Does California Go From Here?

THE INSURANCE INDUSTRY SEEMS happy to let the current reforms play out, which makes sense given that they are bearing fruit. Homeowners I've talked to recently seem happy that they can now find policies, even if they are much pricier than before. (I'm certainly thrilled that insurance companies renewed my policies without hassle or massive rate increases.) The FAIR Plan is relieved that it received an influx of cash. The Legislature is relieved, also, that the industry didn't collapse under its watch. CDI has implemented virtually every one of the reforms that the industry has long sought, so it's not entirely clear what else the state should do right now.

Some observers call for repealing or at least reforming Proposition 103. One insurance agent submitted a ballot measure that would repeal the measure, but anyone with $2,000 can file an initiative. It's a much different story getting it off the ground given the cost of signatures and running a campaign.[70] The insurance industry has no apparent appetite for bankrolling another massive change, even if the 1988 measure is the root cause of many of its problems. It's easy to imagine opponents of a repeal or reform initiative depicting it as an insurance-industry plot and the measure going down in flames after a costly fight. The new CDI focus is on improving home-hardening techniques to reduce overall fire risk. The core issue: Many of these landscaping, roofing and other fire-wise home improvements are costly for homeowners, yet those property owners who invest in them rarely see rate reductions as a result. Furthermore, a property owner's home hardening offers little risk reduction if neighbors don't invest in these improvements, also. That helps explain why insurers are reluctant to offer big hardening discounts, but it's still frustrating for state officials and consumers.

CDI sponsored two laws, which went into effect on Jan. 1, 2026, that attempt to resolve that issue, although they are modest. The first, Assembly Bill 888, offered a framework of fire-wise building standards. Then it creates a joint-powers authority with CAL FIRE to, per the Senate floor analysis, develop the "California Wildfire Mitigation Program (CWMP) that focuses on offering financial assistance to vulnerable populations in wildfire-prone areas, as well as cost-effective structure hardening and retrofitting to create fire-resistant homes, defensible space and vegetation management activities."[71] It passed with overwhelming support and no recorded opposition.

Assembly Bill 1 requires "the department, on or before Jan. 1, 2030, and every five years thereafter, to consider whether or not to update its regulations to include additional building hardening measures for property-level mitigation efforts and communitywide wildfire mitigation programs."[72] It passed both the Senate and Assembly unanimously. Yet these new laws are viewed more as a starting point than as the endpoint for wildfire-mitigation strategies in the wildland-urban interface, as they are rather limited.

Paradise is the Butte County town that was obliterated in a 2018 wildfire. A 2021 study by environmental and insurance researchers found that "fire buffer strategies and code updates would have reduced the value-at-risk across most probabilities by 42%, converting a one in 100-year loss level into a much rarer one in 350-year loss level."[73] It pitched this emerging idea: "Community Based Catastrophe Insurance (CBCI) is a new approach where coverage is arranged or made available by the community for homes within its jurisdiction. The pricing of insurance through a CBCI program can help to capture the financial benefits of risk reduction measures and potentially improve pricing for insureds in the community. Linking insurance to mitigation incentivizes investment in risk reduction."[74] Essentially, this type of insurance enables communities to create their own self-insurance and impose risk-reduction building standards. As always, the devil is in the details, but the state would do well to consider creative risk-mitigation approaches.

These types of generally non-controversial ideas offer much promise because they tie pricing to mitigation. Once again, we see that pricing—i.e., the market's risk signal—is crucial to reducing wildfire risks and restoring predictability to the insurance market. Insurance is risk pooling, but insurers get squirrelly if they open themselves up to unpredictable levels of potential loss. Other creative financing approaches are also emerging in this space. A Sacramento-based organization called Blue Forest raises capital from utilities, private corporations and public agencies such as CAL FIRE to conduct mitigation projects that reduce wildfire risk in nearby communities. It receives support from environmentalists who are concerned about climate change to businesses that are trying to reduce their losses. It's an example of how innovative, market-oriented efforts can transcend ideological barriers.

California's insurance market isn't in the clear yet, but there's no denying that it has made measurable progress since State Farm's fateful decision in May 2023. When the Los Angeles area wildfires struck in January 2025, many observers predicted an insurance catastrophe given the $30-billion-plus expected claims. But instead of a death spiral, the state's insurance market has stabilized. That's because the Sustainable Insurance Strategy reforms had begun to kick in. It's a reminder that the underlying problem has always been regulation and that wildfire losses, however much they stress the system, are not the main cause of the state's insurance dysfunction.[75] It's imperative that state officials, in the governor's office, the Legislature, and the Department of Insurance, don't just move on to other issues if and when insurers step up their underwriting. It's even more important that the new insurance commissioner doesn't back away from these reforms.

I'll conclude on a somewhat encouraging note. This is from a June 2026 statement from CDI: "Zurich US, one of the world's largest commercial insurers, has formally submitted a commercial property rate filing under the state's updated regulatory system. With this filing, Zurich is committing to expand its commercial property coverage in some of California's most distressed and wildfireprone regions. Zurich joins other major insurers—including Mercury General and CSAA—that are increasing their presence and offering more coverage options where Californians need them most."[76] In April, Travelers announced expanded underwriting in the state. California has not reached the beginning of the end of its insurance crisis, but it may have reached the end of the beginning.

Here are a few takeaways about California's insurance crisis:

- The roots of the crisis lie in Proposition 103, the 1988 ballot initiative that created a prior-approval insurance system and turned the insurance commissioner into an elected position. It essentially established a system of price controls. In insurance and any other marketplace, such controls restrict supply and ultimately lead to shortages.
- Proposition 103 established a cumbersome rate-review process and the Department of Insurance's (CDI) implementation of it led to delays that far outstripped the timeframes established by the initiative. The system was gummed up by "intervenors," consumer attorneys who earn fees (paid by insurers) to oppose rate increases.
- As a result of these regulations, California insurance prices actually were underpriced with regard to risk. Over the years, insurance commissioners focused on holding down rates given the political incentives for doing so, as most of them have had designs on higher office. Lately, CDI has focused on assuring that rates are not inadequate to keep insurers from leaving.
- The recent insurance crisis came into full view after State Farm in 2023 announced that it would stop writing new policies and later pulled out of certain markets entirely. The company underwrites 21% of

the state's property insurance policies. Other companies followed suit.

- This led to an overreliance on California's FAIR Plan, the state-created, industry funded insurer of last resort. The plan's leaders publicly warned of possible insolvency.
- A series of devastating wildfires in 2018 prompted large-scale insurance losses, then was followed by one of the nation's largest natural disasters—the 2025 wildfires in the Los Angeles area. These magnified the industry's problems.
- By 2025, CDI's Sustainable Insurance Strategy had kicked in. It included most of the major reforms that the insurance industry had long sought. These included speeding up the rate-review process, allowing companies to use forward-looking catastrophe models in setting pricing, allowing them to factor the rising costs of reinsurance in their rates, as well as efforts to shore up the FAIR Plan (including a controversial $1 billion assessment). More recently, CDI offered proposals to restrict the leverage of intervenors.
- The state's top intervenor group, Consumer Watchdog, took the insurance commissioner to court over the FAIR Plan assessment, but lost.
- The market is showing signs of stabilization, as some companies have announced an increase in underwriting. Growth in FAIR Plan policies has slowed. Californians have an easier time finding insurance, although pricing remains steep and

is exacerbating the state's housing-affordability problems.

- Insurers and state officials are now looking to step up their wildfire and home-hardening efforts, including creating market-based and state-imposed mechanisms for funding such improvements.
- The results of November's insurance commissioner race, which pits former San Francisco Supervisor Jane Kim against state Sen. Ben Allen, could be consequential. Kim is pushing a publicly run disaster-insurance program, whereas Allen has promised to continue with Commissioner Ricardo Lara's reforms.
- We're not out of the woods yet, even if the worst of the crisis is over.

Endnotes

1 Greenberg, M., Angelo, H., Losada, E., & Wilmers, C. C. (2024). Relational geographies of urban unsustainability: The entanglement of California's housing crisis with WUI growth and climate change. *Proceedings of the National Academy of Sciences*, https://doi.org/10.1073/pnas.2310080121.

2 Insurance history, the Library of Congress, https://guides.loc.gov/insurance-industry/history, accessed July 3. 2026.

3 Sacramento "Ideas in Action Conference 2026," Pacific Research Institute, https://www.pacificresearch.org/sacramento-conference-2026/.

4 Steven Greenhut, "Insuring Another Disaster," *The American Spectator*, April 29, 2021, https://spectator.org/california-insurance-wildfires-ab-1522/.

5 Jerry Theodorou, "California is dangerous for insurers, but not due to fires and floods," *The Orange County Register*, https://www.ocregister.com/2023/01/31/california-is-dangerous-for-insurers-but-not-due-to-fires-and-floods/.

6 Steven Greenhut, "Insurance Companies are Quietly Fleeing California," *Wall Street Journal*, March 17, 2023, https://www.wsj.com/articles/insurance-companies-are-quietly-fleeing-california-proposition-103-natural-disaster-state-farm-market-competition-ricardo-lara-commissioner-db0af00.

7 Statement, "State Farm General Insurance Company: California New Business Update," State Farm, May 26, 2023, https://newsroom.statefarm.com/state-farm-general-insurance-company-california-new-business-update/.

8 Kristian Fors, "Why California's Homeowners' Insurance Market Collapsed—and How to Fix It," Independent Institute, May 12, 2025, https://www.independent.org/article/2025/05/12/why-californias-homeowners-insurance-market-collapsed-and-how-to-fix-it/.

9 Office of Gov. Ron DeSantis, "Governor Ron DeSantis Announces Major Insurance Rate Relief as Florida's Reforms Deliver Results," Jan. 12, 2026, https://www.flgov.com/eog/news/press/2026/governor-ron-desantis-announces-major-insurance-rate-relief-floridas-reforms.

10 Staff, "Florida's Property Insurance Market is Stabilizing. Here's Why That's a Big Deal," Florida Chamber of Commerce, February 2025, www.flchamber.com/floridas-property-insurance-market-is-stabilizing-heres-why-thats-a-big-deal/.

11 "California Proposition 103," Ballotpedia, Insurance Rate Reductions and Regulation Initiative (1988), https://ballotpedia.org/California_Proposition_103,_Insurance_Rate_Reductions_and_Regulation_Initiative_(1988).

12 Our team, Consumer Watchdog, https://consumerwatchdog.org/our-team/#:~:text=As%20Consumer%20Watchdog's%20founder%2C%20Harvey,opposition%20(still%20a%20record), accessed July 2, 2026.

13 Angela Hawken, Stephen J. Carroll and Allan Abrahamse, "How Do Third-Party, Bad Faith Bodily Injury Claims Affect Automobile Insurance Costs and Compensation?" RAND, 2001, www.rand.org/pubs/research_briefs/RB9036.html.

14 "Prop. 103 Consumer Intervenor Process," California Department of Insurance, https://www.insurance.ca.gov/01-consumers/150-other-prog/01-intervenor/, accessed July 2, 2026.

15 Lawrence Powell, R.J. Lehmann and Ian Adams, "Rethinking Prop 103's Approach to Insurance Regulation," International Center for Law & Economics, Nov. 6, 2023, www.laweconcenter.org/resources/rethinking-prop-103s-approach-to-insurance-regulation/.

16 Steven Greenhut, "State Farm and the Commissar," *The American Spectator*, Dec. 22, 2016, https://spectator.org/state-farm-and-the-commissar/.

17 Steven Greenhut, testimony to the Subcommittee on the Administrative State, Regulatory Reform and Antitrust, U.S. House Judiciary Committee, Hearting on "California Fires and the Consequences of Overregulation," Feb. 6, 2025, https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/Greenhut%20 Testimony.pdf.

18 Staff, "Fire victims frustrated after Palisades reservoir that was empty during fire is dry again," ABC 7 Los Angeles, April 24, 2026, https://abc7.com/post/fire-victims-frustrated-santa-ynez-reservoir-was-empty-during-palisades-is-dry/18956367/.

19 Jonathan Vigliotti, "One year after California wildfires, progress is slow in rebuilding," CBS News, Jan. 4, 2026, https://www.cbsnews.com/news/one-year-after-california-wildfires-progress-is-slow-in-rebuilding/.

20 Ricardo Lara for insurance commissioner website, https://ricardolara.com/, accessed July 3, 2026.

21 Steven Greenhut, "Regulated rate system makes 'insurance czar' a key race," *The Orange County Register*, Oct. 27, 2018, www.ocregister.com/2018/10/27/regulated-rate-system-makes-insurance-czar-a-key-race/.

22 Editorial Board, "With scandals multiplying, will Ricardo Lara last a full term as insurance commissioner?" *Sacramento Bee*, Sept. 12, 2019, www.sacbee.com/opinion/article234952877.html.

23 Dan Walters, "Tone-deaf Lara and his critics," *CalMatters*, Sept. 8, 2019, www.calmatters.org/commentary/2019/09/ricardo-lara-campaign-promise/.

24 Stephanie Sierra, "CA insurance commissioner responds to criticism over lack of transparency, accountability," ABC 7 News, Nov. 17, 2024, www.abc7news.com/post/ca-insurance-commissioner-responds-criticism-lack-transparency-accountability/15544597/.

25 Lawrence Powell, R.J. Lehmann and Ian Adams, "Rethinking Prop 103's Approach to Insurance Regulation," International Center for Law & Economics, Nov. 6, 2023, www.laweconcenter.org/resources/rethinking-prop-103s-approach-to-insurance-regulation/.

26 Staff, "Special Episode: California Insurance Crisis – Keynote by California Insurance Commissioner Ricardo Lara," *Capitol Weekly*, May 15, 2025, www.capitolweekly.net/special-episode-california-insurance-crisis-keynote-by-california-insurance-commissioner-ricardo-lara/#.

27 Nicole Nixon, "California's first elected insurance commissioner says Ricardo Lara has 'failed,'" *Sacramento Bee*, Dec. 17, 2025, https://www.sacbee.com/news/politics-government/capitol-alert/article313783509.html.

28 Dan Jergler," "Former California Insurance Commissioner Carries on Climate Change Crusade," *Insurance Journal*, Sept. 9, 2025, www.insurancejournal.com/news/west/2025/09/09/838581.htm.

29 Remarks by Ricardo Lara, Guy Carpenter California Wildfire Summit, June 18, Burlingame, Calif., https://web.cvent.com/event/b0ce282c-700b-49fa-99fe-8c96b285ba09/summary.

30 Staff, "Sustainable Insurance Strategy: California Homeowners Insurance Market Snapshot," California Department of Insurance, www.insurance.ca.gov/01-consumers/180-climate-change/sustainable-insurance-strategy.Cfm, accessed July 3, 2026.

31 Ricardo Lara, California Department of Insurance Bulletin 2024-7, Aug. 9, 2024, www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2024-7-Revisions-to-Department-Review-of-Complete-Rate-Applications.pdf.

32 Proposition 103, text, www.consumerwatchdog.org/californias-proposition-103/.

33 Emily Hamann, "Insurance commissioner's reforms face scrutiny as term concludes," *State Affairs*, March 20. 2026, www.pro.stateaffairs.com/ca/insurance/california-insurance-regulator-tenure-ends.

34 Staff, "California's second largest home insurer joins Sustainable Insurance Strategy." California Department of Insurance, https://www.insurance.ca.gov/0400-news/0102-alerts/2026/California-s-second-largest-home-insurer.cfm.

35 State Farm in California, "Understanding the issues," State Farm website, www.newsroom.statefarm.com/state-farm-in-california-understanding-the-issuess/, accessed July 4, 2026.

36 Staff, "California Public Wildfire Model," California Department of Insurance, www.insurance.ca.gov/01-consumers/180-climate-change/public-wildfire-model.cfm, accessed July 4, 2026.

37 Nathan Paulus, "How Reinsurance Affects Insurance Rates," *Moneygeek*, April 9, 2026, www.moneygeek.com/insurance/factors-that-influence-insurance-rates/reinsurance/.

38 Staff, "California Commissioner Issues Regulation to Allow Reinsurance in Ratemaking," *Insurance Journal*, Dec. 30, 2024, www.insurancejournal.com/news/west/2024/12/30/806461.htm.

39 Guy Carpenter California Wildfire Summit, June 18, Burlingame, Calif., https://web.cvent.com/event/b0ce282c-700b-49fa-99fe-8c96b285ba09/summary.

40 Editorial Board, "Lara's lux travel grounds his good insurance work," *The Orange County Register*, April 8, 2025, www.ocregister.com/2025/04/08/laras-lux-travel-grounds-his-good-insurance-work/.

41 Press release, "Commissioner Lara advances first overhaul of intervenor process in 35 years to protect consumer dollars and strengthen transparency," California Department of Insurance, April 20, 2026, www.insurance.ca.gov/0400-news/0100-press-releases/2026/release018-2026.cfm.

42 Ibid.

43 "Support for CDI's Proposed Intervenor Compensation Reforms," business groups' letter to the commissioner, Sept. 24, 2025, www.caanet.org/u/2025/09/Intervenor-Reforms_NASCAR-Letter_9.24.25.pdf.

44 Will Pletcher, "Lara Issues Regulations to Silence Consumer Voice in Insurance Rates," Consumer Watchdog, April 28, 2026, www.consumerwatchdog.org/in-the-courtroom/lara-issues-regulations-to-silence-consumer-voice-in-insurance-rates/.

45 My discussion with Colorado Insurance Commissioner Michael Conway at Guy Carpenter California Wildfire Summit, June 18, Burlingame, Calif., https://web.cvent.com/event/b0ce282c-700b-49fa-99fe-8c96b285ba09/summary.

46 California Assembly Insurance Committee Oversight Hearing, "The FAIR Plan," Jan. 28, 2026, www.ains.assembly.ca.gov/system/files/2026-01/1.28.26-fair-plan-background-final.pdf.

47 Bench Ansfield, "State's FAIR insurance plan started 60 years ago after Watts riots," *San Francisco Chronicle*, Oct. 1, 2025, www.sfchronicle.com/opinion/openforum/article/california-fair-plan-insurance-21076371.php.

48 Ibid.

49 Josh Recamara, "California's FAIR Plan carries growing load as insurers retreat beyond wildfire zones," *Insurance Business,* March 15, 2026, www.insurancebusinessmag.com/us/news/catastrophe/californias-fair-plan-carries-growing-load-as-insurers-retreat-beyond-wildfire-zones-568596.aspx.

50 Key Statistics & Data, California Department of Insurance, www.cfpnet.com/key-statistics-data/, accessed July 4, 2026.

51 Jazzmin Lu, "California FAIR Plan Insurance," Coverage Cat, www.coveragecat.com/reviews/california-fair-insurance, accessed July 4, 2026.

52 John Ramos, "California FAIR Plan warns major disaster could wipe out insurer of last resort," CBS News, March 25, 2024, www.cbsnews.com/sanfrancisco/news/california-fair-plan-insurer-of-last-resort-warns-major-disaster-could-wipe-out-funds/.

53 Approving the California FAIR Plan Association's Request to Issue Assessment, California Department of Insurance, Jan. 13, 2025, www.insurance.ca.gov/0250-insurers/0500-legal-info/0700-commissioners-orders/upload/Order-No-2025-1-Approving-the-California-FAIR-Plan-Association-s-Request-to-Issue-Assessment.pdf.

54 Laurence Darmiento, "Home insurer surcharges for wildfires is legal, judge rules," *Los Angeles Times*, July 2, 2026, www.latimes.com/business/story/2026-07-02/home-insurer-surcharges-for-wildfires-is-legal-judge-rules.

55 *Consumer Watchdog v. Ricardo Lara*, Writ of Mandate, Los Angeles County Superior Court, June 30, 2026, www.insurance.ca.gov/0400-news/0100-press-releases/2026/upload/Consumer-Watchdog-v-Lara-Ruling-denying-petition-for-writ-of-mandate-6-30-26.pdf.

56 Press release, "Commissioner Lara defeats attempt to undermine California insurance market," California Department of Insurance, July 1, 2026, www.insurance.ca.gov/0400-news/0100-press-releases/2026/release022-2026.cfm.

57 Will Pletcher, "Court Upholds FAIR Plan Surcharges, Consumer Watchdog Weighs Appeal," Consumer Watchdog, July 1, 2026, www.consumerwatchdog.org/in-the-courtroom/court-upholds-fair-plan-surcharges-consumer-watchdog-weighs-appeal/.

58 Nam Nguyen, Eric Macomber, Michael Mastrandrea and Michael Wara, “The Evolution of the California Homeowners Insurance Market in the Face of Growing Wildfire Risk,” Stanford Climate & Energy Policy Program, June 2026, www.cepp.stanford.edu/focal-areas/wildfire-climate-resilience/insurance-adaptation.

59 Michael Wara’s presentation at Guy Carpenter California Wildfire Summit, June 18, Burlingame, Calif., https://web.cvent.com/event/b0ce282c-700b-49fa-99fe-8c96b285ba09/summary.

60 Ricardo Lara, California Department of Insurance, Bulletin 2025-4, www.insurance.ca. gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2025-4-Updated-Guidance-regarding-Insurer-Recoupment-Procedures-in-Response-to-Assessment-by-the-FAIR-Plan.pdf.

61 Gia Snape, “Can reforming the FAIR Plan fix California’s insurance gap?” *Insurance Business*, Feb. 5, 2026, www.insurancebusinessmag.com/us/news/property/can-reforming-the-fair-plan-fix-californias-insurance-gap-564379.aspx.

62 California Legislature, Senate Bill 1680, Senate Insurance Committee Floor Analysis, www. https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1680.

63 Steven Greenhut, “State Insurance Crisis: Ricardo Lara emerges as an unsung hero,” *The Orange County Register*, March 21, 2025, www.ocregister.com/2025/03/21/state-insurance-crisis-ricardo-lara-emerges-as-an-unsung-hero/.

64 California Secretary of State, “Insurance Commissioner—Statewide Results,” www.electionresults.sos.ca.gov/returns/insurance-commissioner, accessed July 4, 2026.

65 Editorial Board, "Endorsement: Patrick Wolff for California Insurance Commissioner," *The Orange County Register* and affiliated Southern California News Group newspapers, April 26, 2026, www.ocregister.com/2026/04/26/endorsement-patrick-wolff-for-state-insurance-commissioner/.

66 Patrick Wolff, "Why I Endorse Ben Allen for Insurance Commissioner," Patrick Wolff Substack, June 29, 2026.

67 Jane Kim, "Can reforming the FAIR Plan fix California's insurance gap?" *The Orange County Register*, May 2, 2026, www.ocregister.com/2026/05/02/jane-kim-now-is-the-time-for-disaster-insurance-for-all/.

68 Staff, "The Wave of Concerns Facing the National Flood Insurance Program," U.S. Government Accountability Office, Oct. 14, 2020, www.gao.gov/blog/wave-concerns-facing-national-flood-insurance-program.

69 Rex Frazier, "California Insurance Commissioner Campaign," Not Available in All States Substack, June 21, 2026.

70 California Secretary of State, "California Insurance Market Reform and Consumer Protection Act of 2026," www.oag.ca.gov/system/files/initiatives/pdfs/25-0012A2%20%28Insurance%20Prop.%20103%29.pdf.

71 California Legislature, Assembly Bill 888, www.leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB888.

72 California Legislature, Assembly Bill 1, www.leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1.

73 Manuel Chirouze, Jonathan Clark, Jonathan Hayes and Kimberly Roberts, Quantifying Insurance "Benefits of a Nature-based Approach to Reducing Risk," The Nature

Conservancy and Marsh McLennan, 2021, www.guycarp.com/content/dam/guycarp-rebrand/pdf/Insights/2021/Quantifying-Insurance-Benefits-Wildfire-Risk-Reduction-Buffers.pdf.

74 Ibid.

75 Jerry Theodorou, "California is dangerous for insurers, but not due to fires and floods," *The Orange County Register*, https://www.ocregister.com/2023/01/31/california-is-dangerous-for-insurers-but-not-due-to-fires-and-floods/.

76 Press release, "California's Insurance Market Strengthens as Major Carrier Expands Coverage." California Department of Insurance, June 19, 2026, www.insurance.ca.gov/0400-news/0102-alerts/2026/California-s-Insurance-Market-Strengthen.cfm.

About the Author

Steven Greenhut

Steven Greenhut is a longtime journalist who has covered California politics since 1998. He wrote this book for the San Francisco-based Pacific Research Institute, where he founded that think tank's Sacramento-based journalism center in 2009 and is director of its Free Cities Center. He currently is on the editorial board of the Southern California News Group. Greenhut has worked fulltime as a columnist for *The Orange County Register* and *The San Diego Union-Tribune*. He writes weekly for *American Spectator* and *Reason* magazines. He is the editor of the PRI book *Saving California*, and the author of *Winning the Water Wars, Abuse of Power* and *Plunder*. He is also the author of the Free Cities Center booklets *Back from Dystopia: A New Vision for Western Cities; Putting Customers First: Re-Envisioning our Approach to Transportation Planning; Giving Housing Supply a Boost: How to Improve Afford ability and Reduce Homelessness* (with Dr. Wayne Winegarden)*; Building Cities from Scratch: America's Long History of Urban Experimentation;* and *Is There a War on Suburbia? Calling a Truce in the Battle Over Land Use.*

About Pacific Research Institute

The Pacific Research Institute (PRI) champions freedom, opportunity, and personal responsibility by advancing free-market policy solutions. It provides practical solutions for the policy issues that impact the daily lives of all Americans, and demonstrates why the free market is more effective than the government at providing the important results we all seek: good schools, quality health care, a clean environment, and a robust economy.

Founded in 1979 and based in San Francisco, PRI is a non-profit, non-partisan organization supported by private contributions. Its activities include publications, public events, media commentary, community leadership, legislative testimony, and academic outreach.

Center for Business and Economics

PRI shows how the entrepreneurial spirit—the engine of economic growth and opportunity—is stifled by onerous taxes, regulations, and lawsuits. It advances policy reforms that promote a robust economy, consumer choice, and innovation.

Center for Education

PRI works to restore to all parents the basic right to choose the best educational opportunities for their children. Through research and grassroots outreach, PRI promotes parental choice in education, high academic standards, teacher quality, charter schools, and school-finance reform.

Center for the Environment

PRI reveals the dramatic and long-term trend toward a cleaner, healthier environment. It also examines and promotes the essential ingredients for abundant resources and environmental quality: property rights, markets, local action, and private initiative.

Center for Health Care

PRI demonstrates why a single-payer Canadian model would be detrimental to the health care of all Americans. It proposes market-based reforms that would improve affordability, access, quality, and consumer choice.

Center for California Reform

The Center for California Reform seeks to reinvigorate California's entrepreneurial self-reliant traditions. It champions solutions in education, business, and the environment that work to advance prosperity and opportunity for all the state's residents.

Center for Medical Economics and Innovation

The Center for Medical Economics and Innovation aims to educate policymakers, regulators, health care professionals, the media, and the public on the critical role that new technologies play in improving health and accelerating economic growth.

Free Cities Center

The Free Cities Center cultivates innovative ideas to improve our cities and urban life based around freedom and property rights – not government.

Cities throughout the West face continuing crime problems, soaring housing costs, an intractable homelessness crisis, ongoing traffic congestion, declining transit ridership and struggling municipal budgets.

The Free Cities Center is Pacific Research Institute's effort to foster serious thinking about urban policy. PRI hopes to incubate good ideas that will improve our cities. It will feature incisive reporting and opinionating on our new web page, and in a series of webinars, research papers and books.

If you love cities and are brokenhearted by their current state, help is on the way.

PRI PACIFIC RESEARCH INSTITUTE

www.pacificresearch.org

ISBN 978-1-934276-91-4

90000

9 781934 276914