



**INSURANCE
INFORMATION**
INSTITUTE

Insurance: Financial Resilience

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Our Promise

We are the Insurance Information Institute. Since 1960, the "Triple I" has had a single mission: To improve public understanding of insurance—what it does and how it works. We are here to serve everybody: consumers; students and educational institutions; insurance professionals; government and regulatory organizations; and the media.



Fifteen Minutes

A brief look at issues and solutions

Homeowners Insurance: Availability and Affordability

Choice and competition protect consumers by helping keep rates competitive.

THE FACTS

California's home insurance market is healthy.

There are 99 homeowners insurance carriers writing coverage throughout California – not including the FAIR plan.¹

Homeowners insurance is still readily available in the regular insurance market, however the California FAIR plan has seen an increase in policy subscribers.²

California has some of the most competitive rates for homeowners insurance in the nation. ranked 46th - when factoring in home value.³

Frequent catastrophes strain our insurance market.

Existing regulations do not allow insurers to consider any of the below when setting rates:

- Impacts of climate change
- Recent catastrophic fires
- Newest modeling and technology data



CALIFORNIA INSURANCE MARKET

~98%

Admitted Market

Insurance coverage purchased from an insurance company that is regulated and formally licensed to operate in the state.

1. %

FAIR Plan

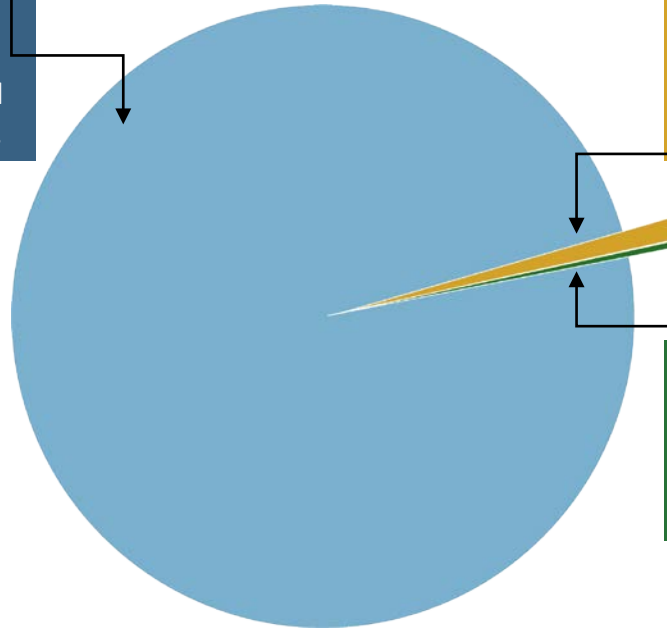
File insurance coverage for homeowners who otherwise cannot obtain coverage in California.

0.16%

Surplus Lines

Insurance coverage from a non-state-regulated provider who may be willing to take on a higher financial risk.

- **Policyholders Are Being Paid:** Over \$15 billion in claims have been paid and we continue to help our customers through the claims process.
- **Wildfires Are Insurable:** Unlike earthquakes, insurers are able to plan for wildfire risks. The California Earthquake Authority was a result of insurers leaving the market because they could not predict and insure that risk.¹ Insurers are not leaving the home insurance market.
- **Homeowners Drive Policy Switches:** Policyholders are 2.5 times more likely to change their home insurer than be non-renewed.²



¹ History of the California Earthquake Authority. California Earthquake Authority, www.earthquakeauthority.com/About-CEA.

² Lloyd, D., Tsang, F., & Fitts, G. (2018). The Impact of Changing Wildfire Risk on California's Residential Insurance Market(Rep.). RAND Corporation, Greenware Tech.

CALIFORNIA IS A LEADER IN PROTECTING CONSUMER RIGHTS



Your home is your biggest asset, so make sure you have the information you need to insure it properly.

- ▲ Starting in 2019, homeowners are protected against policy cancellations and nonrenewals in zip codes or fire perimeters where a State of Emergency has been declared. (SB 824)
- ▲ Starting in 2019, insurers must renew your homeowners policy for at least two years for homes that were burned down or destroyed in a declared State of Emergency. (SB 894)
- ▲ In 1968, California created the Fair Access to Insurance Requirements (“FAIR”) Plan which provides a safety net that assures home insurance is available for all homeowners.



Core Logic 2019: Insurance Coverage Adequacy Report

The Effects of Insurance to the Property Ecosystem

- ▲ CoreLogic says today's best practice for reconstruction cost estimating uses information specific to each home and its location.
- ▲ Current localized costs of labor and building materials are applied to create a reconstruction cost estimate unique to the specific home.
- ▲ This best practice produces objective estimates without the inaccuracies introduced by subjective quality judgments, unsophisticated estimating tools, or simple inflation adjustments.
- ▲ California's insurers are required effective July 1, 2019, to recalculate reconstruction costs every two years, at a minimum, or offer the policyholder at renewal the opportunity to recalculate using a reconstruction cost inflation factor instead (AB 1797).



Tools to Prevent Underinsurance

Understanding your coverage: Insurance companies offer homeowners options for their coverage at different price points in order to balance choice with vital protections. **This flexibility keeps coverage accessible for consumers by giving them the power to control their insurance costs.**

A-Covers the cost of replacing a structure.

B-Covers detached structures like a garage.

C-Covers personal property and household contents.

D-Covers additional living expenses (ALE) that are incurred when one's house cannot be occupied due to a covered loss.

TIPS FOR CONSUMERS

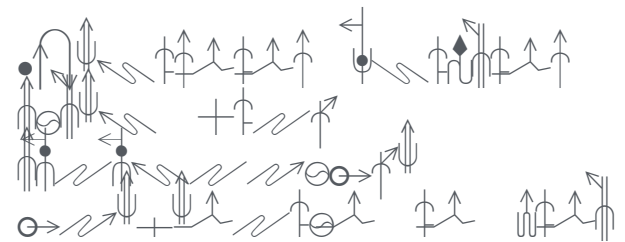
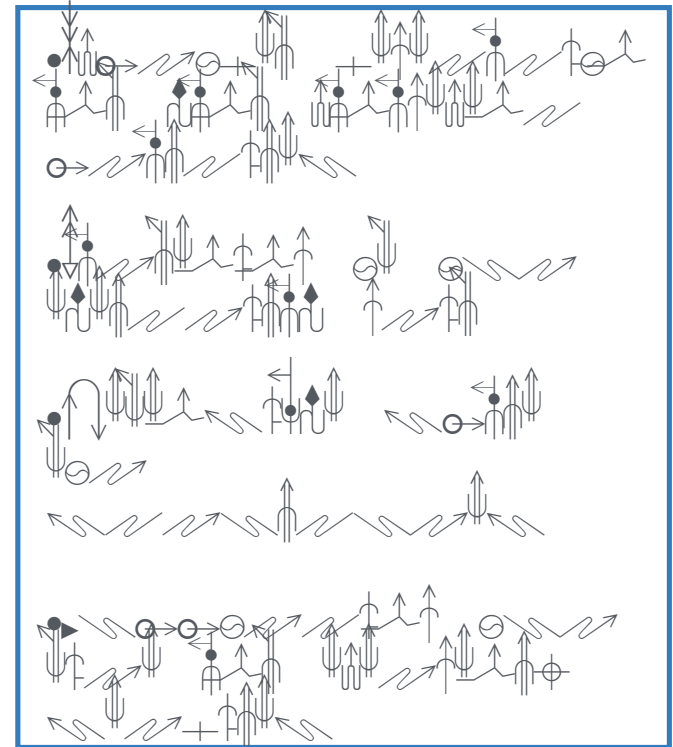
- ▼ Under Coverage A, homeowners may purchase extended replacement cost coverage which could provide up to 150% of the coverage purchased.
- ▼ Building Code Upgrade provides extra coverage for older homes.
- ▼ Always report home additions and remodels to keep your coverage current.
- ▼ Keep your home inventory list up-to-date and store all important photos, receipts, etc offsite or in the cloud.



NOTE: Coverages vary by insurance company.

We support efforts to protect residents, businesses and homeowners by taking proactive steps against catastrophes now.

Fire Safe Council, Firewise USA, Insurance Institute for Business/Home Safety.



www.iii.org

Thank you!

RESOURCES:

CAL FIRE Ready, Set Go Program features [Insurance Preparedness](#).

Core Logic 2019 [Insurance Adequacy Report: The Effects of Underinsurance to the Property Ecosystem](#).

[Headwater Economics Report](#) shows wildfire resistant homes cost less to build.

Insurance Information Institute: [Wildfire Facts and Statistics](#)

Insurance Institute for Business and Home Safety features [wildfire demo](#) and [home hardening](#).

[RMS Releases U.S. Wildfire High-Definition Model to Empower \(Re\)insurers to Address Pervasive Wildfire Risk](#).

[Stronger California](#): Information on insuring your home/business in wildfire risk areas