

# CALIFORNIA WILDFIRES' NATIONAL IMPACT: Q&A

The Big "I" has compiled the following information for agent and broker guidance on the potential broad and future impact of the California wildfires. Feel free to use this in discussions with policymakers and customers.

**Q: What will be the full impact of the California wildfires on the insurance market?**

A: The recent wildfires in Southern California have become one of the costliest and most disruptive natural disasters in this country's history, displacing and devastating thousands of lives. The full impact and scope of the fires are not yet known, but they offer evidence that the threat of such events is expanding.

**Q: Could the California wildfire crisis impact insurance for home and business owners in other states?**

A: Yes, the wildfire crisis in California could have broader ramifications in other areas around the country. With larger insurance companies having a presence in many states, catastrophes in one large state can impact their ability to assume new risk elsewhere, particularly in a hard market where coverage options and pricing are already challenging.

**Q: Why is the California insurance market so different from other states?**

A: For decades and in a myriad of ways, California has hindered and restricted the ability of insurers to adequately set rates and model for future risk. This environment ultimately forced many insurers to reduce their exposure or to exit the marketplace altogether, leaving millions of Californians with inadequate or no insurance coverage. Additionally, far too many consumers have been forced to seek coverage from the California FAIR Plan, the state's insurer of last resort, which was already incredibly strained before these wildfires. The plan's exposure at the end of September 2024 was \$458 billion, a 63% increase over the prior fiscal year-end.

**Q: Has the state taken any steps to stabilize the insurance market for home and business owners in California?**

A: For years, IIABCal, California's leading independent agent advocacy group, has aggressively pursued reform of the state's regulatory system. The Department of Insurance has begun to implement a series of long-overdue steps intended to stabilize the market and encourage carriers to reenter. Among other measures, the state has started to allow use of forward-looking catastrophe models to price risk, expedite and streamline the rate-making process, depopulate the FAIR Plan, and allow reinsurance costs to be factored into rate-making.

**Q: Do crises like this require a re-examination of the state-based insurance regulatory system?**

A: The state-based regulatory system has long been successful throughout the country, but it must be supported with a partnership of state legislators and regulators to foster competitive marketplaces that offer choice to consumers.

**Q: Are there appropriate legislative solutions?**

A: Naturally, legislation will be introduced and considered to address this insurance crisis. Any state or federal legislative proposals to address property insurance affordability and availability issues must ultimately lead to greater market participation from insurers. Simply put, without insurers, agents and brokers are left without options for their customers who need peace of mind knowing that they are financially protected against disasters such as wildfires.

**Q: What about national insurance legislation?**

A: There may be an appropriate role for Congress to play especially regarding mitigation and land management. But California and other wildfire-prone states should also pursue public policy to encourage private market participation and competition among insurance carriers that will lead to increased property insurance availability.

**Q: What can consumers in other states do to protect themselves if they are anxious about their coverage as they watch this crisis unfold?**

A: In this environment, the need for guidance from a professional insurance advisor is greater than ever. Consumers should consult an independent insurance agent or broker to make sure their property is adequately insured and protected from natural disaster risk. An independent agent is in a unique position to be able to help customers mitigate risk prudently without jeopardizing their financial stability by offering customized coverage from a choice of companies.

