

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-13-23

WHEREAS in 1988, California voters enacted Proposition 103, which established a robust set of consumer protections designed to keep insurance rates fair and affordable and to ensure a competitive marketplace; and

WHEREAS climate change has made California hotter and drier over the last several decades, resulting in more frequent wildfires of greater intensity; and

WHEREAS since 2018, California has experienced the seven largest wildfires in state history, as well as the single deadliest and most destructive wildfire, and during that time wildfires have burned millions of acres and destroyed thousands of structures; and

WHEREAS climate change has increased the occurrence and severity of winter storms, as evidenced by the series of severe storms that battered the State this winter and spring, damaging or destroying hundreds of homes and businesses and threatening thousands more; and

WHEREAS extreme weather events have contributed to billions of dollars in insurance rate increases requested by insurance companies since 2015; and

WHEREAS this year, two of the State's largest insurance carriers, representing over 27 percent of the admitted insurance market in California, announced they would stop issuing new homeowners and commercial property insurance policies in California; several others, representing another more than 36 percent of the market, announced plans to limit new policy origination; and insurer-initiated non-renewals were 28 percent higher statewide in 2019 through 2021 than in 2015 through 2018, with the highest impacts in the top ten counties with the highest wildfire risk, where non-renewals increased by 158 percent over that time period; and

WHEREAS insurers have cited exposure to catastrophic weather events, higher construction repair costs, global inflation, and greater reinsurance premiums, which rose 30 to 50 percent across the country this summer for carriers with catastrophe losses, as the primary drivers of their decision to pull back from the California market; and

WHEREAS the contraction of insurance options in the State has a direct negative effect on consumer access to coverage: in certain parts of the State, homeowners, business owners, and farmers are now unable to obtain new insurance policies from the admitted insurance market; and

WHEREAS access to insurance allows existing homeowners to protect what is for many their largest and most important asset, and empowers homebuyers to secure a mortgage for a home that can build generational wealth, but a scarcity of options may freeze real estate transactions and slow the rate of new housing development, exacerbating the State's critical housing shortage; and

WHEREAS Californians who cannot obtain wildfire coverage from the admitted market can apply for protection through the California Fair Access to Insurance Requirements (FAIR) Plan, a state-established risk pool intended to operate as California's insurer of last resort providing temporary coverage as consumers pursue insurance in the traditional market; and

WHEREAS steadily increasing enrollment in the FAIR Plan as a percentage of the total number of residential insurance policies in California over the past

five years, particularly in counties with the highest wildfire risk, where the number of new and renewed FAIR Plan policies in 2021 was more than ten times the total in 2018, has threatened the ongoing stability of the plan; and

WHEREAS California has made historic efforts to curb the devastating effects of climate change through the California Climate Commitment, including a record \$52.2 billion investment in climate action to address the biggest contributors to climate change, while also building resiliency for a future in which extreme weather events are a certainty; and

WHEREAS building that resiliency depends on protecting Californians' homes and businesses from catastrophic losses, by stabilizing the homeowners insurance and commercial property insurance markets while providing rates that remain fair and affordable to consumers, and maintaining the ongoing viability of the FAIR Plan, which provides a vital safety net to Californians whose policies are cancelled or not renewed and to homebuyers who cannot secure a mortgage without insurance; and

WHEREAS the California Insurance Commissioner has led a multi-year effort to increase consumer protections and encourage competition in the homeowners insurance and commercial property insurance markets, including promulgating first-in-the-nation "Safer from Wildfires" regulations that mandate discounts to homeowners and business owners who engage in wildfire mitigation efforts on their properties; but even more must be done to maintain access to insurance for consumers; and

WHEREAS the California Insurance Commissioner has broad authority under the Insurance Code to adopt rules to promote the public welfare, including under sections 1861.01, 1861.05, and 1861.055 to adopt regulations governing the prior approval process for insurance rate change applications, and to adopt emergency regulations under section 11346.1 of Government Code and section 12921.7 of the Insurance Code.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes of the State of California, do hereby issue the following Order to become effective immediately:

IT IS HEREBY ORDERED THAT:

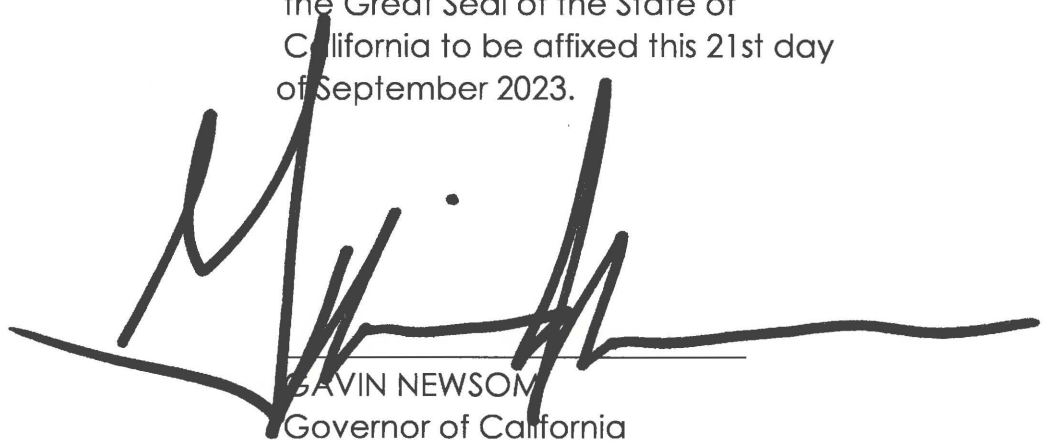
- 1) The Commissioner of Insurance is requested to take prompt regulatory action to strengthen and stabilize California's marketplace for homeowners insurance and commercial property insurance, and to consider whether the recent sudden deterioration of the private insurance market presents facts that support emergency regulatory action. The Commissioner is requested to consider the following goals in crafting an appropriate regulatory response:
 - a. Expand coverage choices for consumers, particularly in underserved areas of the State.
 - b. Improve the efficiency, speed, and transparency of the Department's rate approval process.
 - c. Tailor the rate approval process to account for all factors necessary to promote a robust, competitive insurance marketplace, including through potential revisions to the way catastrophe risks and insurer costs are accounted for.

- d. Maintain the long-term availability of homeowners and commercial property insurance coverage.
 - e. Maintain the solvency of the FAIR Plan to protect its policyholders and promote long-term resiliency in the face of climate change, including by identifying mechanisms to reduce its share of the overall market in underserved areas and move its customers into the admitted insurance market.
- 2) The Department of Finance (DOF) shall consult with the California Department of Insurance (CDI) in meeting the requirements of an Economic Assessment or Standardized Regulatory Impact Analysis (SRIA), as appropriate, to support the potential rulemaking described in Paragraph 1, and shall promptly review and comment on any SRIA submitted in connection with Paragraph 1.

IT IS FURTHER ORDERED that, as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Order.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 21st day of September 2023.



GAVIN NEWSOM
Governor of California

ATTEST:

SHIRLEY N. WEBER, Ph.D.
Secretary of State