Insurance Under Fire: Assessing How California's Insurance Industry is Tackling the Wildfire Crisis and What's Next

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California is currently facing an insurance crisis. The increased impact of climate change, including extreme droughts and wildfires, poses new risks to the insurance industry, especially when it comes to homeowner's insurance. Insurance providers have limited their homeowner coverage, with many companies leaving the state entirely due to the undervaluation of climate risk in the policies they provide. A so-called "climate insurance bubble" is already beginning to burst. The state's last-resort public insurance program, the FAIR Plan, has expanded rapidly to fill in for the lack of insurance providers in the state. But because FAIR Plan policies are expensive and limited, many Californians are forced to go without any home insurance coverage at all.[1] This Note will examine California's ongoing insurance crisis, focusing on the factors driving the increased severity and frequency of wildfires in the state. It will then explore the impact of these wildfires on the housing market and provide an overview of California's insurance regulations and the current state of the insurance market. The Note will highlight the drawbacks and benefits of sustainable Insurance Strategy, and offer recommendations to strengthen wildfire insurance regulation by incorporating more consumer-focused strategies. The recommendations include providing additional financial incentives for homeowners to fireproof their properties, expanding wildfire preparedness education, and rebuilding communities affected by fires with greater resilience by utilizing smarter, more sustainable land use practices.

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1. Katherine Chiglinsky & Elaine Chen, *Many Californians Being Left Without Homeowners Insurance Due to Wildfire Risk*, INS. J. (Dec. 4, 2020), https://www.insurancejournal.com/news/west/2020/12/04/592788.htm.

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INTRODUCTION

In 2024, Francis Bischetti told the *Los Angeles Times* that he was shocked to learn his homeowner's insurance for his Pacific Palisades home would increase dramatically, from $4,500 to $18,000 a year.[2] As a 55-year-old personal assistant, this steep jump was simply unaffordable.[3] Bischetti attempted to qualify for California's Fair Access to Insurance Requirements (FAIR) Plan, a state program offering basic coverage.[4] However, to be eligible, Bischetti would have had to make costly fireproofing upgrades to his home, such as cutting down large trees in his yard, a financial burden he could not bear.[5] With no viable options left, Bischetti made the difficult decision to forgo insurance altogether.[6]

Tragically, the home Bischetti lived in for nearly his whole life was destroyed in the 2025 Palisades Fire, the largest and most destructive fire event in Los Angeles history.[7] The fire, which claimed over 6,000 homes and structures,[8] resulted in $150 billion in potential property damage and economic losses.[9]

Bischetti's situation is a growing reality for many homeowners in Los Angeles who have lost their homes and businesses to the devastating Eaton and Palisades fires. But the intensity and destruction of increasing wildfires is not just limited to Southern California residents, as wildfires continue to impact homeowners across the state. In 2018, the Camp Fire in Northern California's Butte County killed eighty-five people, damaged more than 18,000 structures, and destroyed approximately ninety-five percent of the town of Paradise, making it the deadliest and most destructive wildfire in California history.[10]

In the wake of escalating wildfires, many insurance companies have paused homeowner coverage in parts of California, as most standard insurance policies

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2. Laurence Darmiento & Summer Lin, *First, They Lost Their Home Insurance. Then, L.A. Fires Consumed Their Homes*, L.A. TIMES (Jan. 12, 2025, 3:00 AM PT), https://www.latimes.com/business/story/2025-01-12/california-homeowners-are-getting-cancelled-by-their-insurers-and-the-reasons-are-dubious.

3. *Id.*

4. *Id.*

5. *Id.*

6. *Id.*

7. *Id.*; *see also Wildfires in Los Angeles County*, LOS ANGELES REG'L FIRE SAFE COUNCIL, https://www.wildfirela.org/history (last visited Sept. 17, 2025); Holly Yan, Amanda Musa & Hanna Park, *Fire-Ravaged Southern California Grapples with New Infernos This Week as Much-Needed Rain Could Unleash More Deadly Hazards*, CNN (Jan. 24, 2025, 12:20 AM EST), https://www.cnn.com/2025/01/23/us/hughes-fire-los-angeles-county-thursday (describing the size of and destruction caused by the Palisades Fire).

8. *Palisades Fire*, CAL FIRE (May 20, 2025, 11:56 AM), https://www.fire.ca.gov/incidents/2025/1/7/palisades-fire.

9. *Media Advisory: AccuWeather Increases Estimate of Total Damage and Economic Loss as Catastrophic Wildfires in Southern California Continue to Ravage the Los Angeles Area; Updated Preliminary Estimate is $135-$150 Billion*, ACCUWEATHER (Jan. 9, 2025, 4:52 PM PDT), https://www.accuweather.com/en/press/media-advisory-accuweather-increases-estimate-of-total-damage-and-economic-loss-ascatastrophic-wildfires-in-southern-california-continue-to-ravage-the-los-angeles-area-updated-preliminary-estimate-i/1732268.

10. J. Matt, *Paradise Redux*, PLACES J. (Mar. 2024), https://placesjournal.org/article/paradise-redux-five-years-after-camp-fire/?cn-reloaded=1.

include wildfire damage.[11] This decision was driven by the growing financial risks for insurance companies as fires grow more frequent and severe. Coupled with the rising costs of reinsurance purchased by insurers to protect themselves, these factors have created an unstable insurance market.[12] Major insurers like Allstate, Farmers, and State Farm have either dropped California policies or stopped issuing new ones, leaving homeowners with difficult choices about protecting their homes.[13] The urgency of this issue has never been more critical. Without affordable insurance options, thousands of Californians are left vulnerable to the financial devastation caused by wildfires, like the Palisades Fire, which has left homeowners with staggering losses and few solutions. With most private insurers pulling out, homeowners are left with limited options, either join the expensive and basic FAIR Plan or, like Bischetti, forego insurance all together.[14]

To combat California's insurance crisis, the California Department of Insurance (CDI) implemented new regulations.[15] California's Sustainable Insurance Strategy (CSIS), spearheaded by California Insurance Commissioner Ricardo Lara, is a series of regulations designed to reform the insurance industry and address many of the major issues facing the private insurance market.[16] Prior to CSIS, the state's insurance regulations kept policy prices artificially low by requiring insurers to use historical data of catastrophes to price policies, instead of calculating rates based on future risk.[17] This new regulation allows for forward-looking climate models to be used to determine policy prices, with the goal of attracting private insurers back to the state.[18] Additionally, CSIS incentivizes homeowners to "fireproof" their homes or modify their homes and buildings to better withstand the threat of wildfires.[19]

While CSIS offers creative solutions to reform the insurance market and address the growing wildfire risk, the strategy does not adequately balance both attracting private insurers back to the state and ensuring protection for individual

11. Natalie Todoroff, *Wildfire Insurance in California: What Homeowners Should Know*, BANKRATE (Sept. 1, 2025), https://www.bankrate.com/insurance/homeowners-insurance/wildfire-insurance-california.

12. Evie Liu, *Home Insurers Are Leaving California. The Wildfires Could Make It Worse*, BARRON'S (Jan. 9, 2025, 8:48 AM EST), https://www.barrons.com/articles/california-fires-home-insurers-news-5ef3449f.

13. *Id.*

14. Aimee Picchi, *Thousands of Los Angeles Homeowners Were Dropped by Their Insurers Before the Palisades Fire*, CBS NEWS (Jan. 20, 2025, 11:06 AM EST), https://www.cbsnews.com/news/fires-california-palisades-fire-homeowners-insurance-state-farm-fair-losses.

15. *California's Sustainable Insurance Strategy*, CAL. DEP'T OF INS. 1, https://www.insurance.ca.gov/01-consumers/180-climate-change/upload/Sustainable-Insurance-Strategy-One-pager.pdf (last visited Aug. 6, 2025).

16. *Id.*

17. Natalie Todoroff, *Limited Home Insurance Options in California as Major Carriers Pull Back*, BANKRATE (Aug. 12, 2024), https://www.bankrate.com/insurance/homeowners-insurance/carriers-exit-california-home-insurance.

18. Press Release, Cal. Dep't of Ins., Commissioner Lara Announces Sustainable Insurance Strategy to Improve State's Market Conditions for Consumers (Sept. 21, 2023), https://www.insurance.ca.gov/0400-news/0100-press-releases/2023/release051-2023.cfm.

19. *Id.*

policyholders. The largest drawback of CSIS is that individual policy costs will undoubtedly skyrocket, as insurance agencies are no longer required to undervalue the risk of wildfires and can now pass more costs on to consumers.[20] Although some aspects of CSIS are harmful to consumers, some of its strategies are useful. That is why this Note proposes incorporating a combination of consumer-focused solutions into CSIS to create a more balanced insurance industry. These consumer-focused solutions include decreasing policy prices by encouraging individual and community level mitigation efforts, enhancing public education, and building back more resilient communities with building code requirements that are proven to better withstand wildfires.

This Note begins in Part I by introducing California's insurance crisis, followed by a discussion of factors contributing to the increased severity and frequency of wildfires in California in Part II. Here, the Note also explores the impact of these wildfires on the state's housing market, provides an overview of the history of insurance regulations in California, and discusses the current state of the insurance market while emphasizing the ongoing insurance crisis. In Part III, the Note reviews CSIS, outlining its objectives and critiquing its drawbacks. Finally, Part IV highlights the beneficial aspects of CSIS and offers recommendations for strengthening and balancing wildfire insurance regulation in California by incorporating several consumer-focused strategies.

II. BACKGROUND

A. FACTORS EXACERBATING WILDFIRE INTENSITY AND SCALE IN CALIFORNIA

California is now the epicenter of the nation's wildfire crisis, leading the country in both the number of fires and the total acres burned.[21] Wildfires have become more extreme and unpredictable in the last few decades, with the state enduring over fifteen of its twenty largest wildfires since 2000.[22] Most recently in January 2025, Los Angeles faced the devastating effects of the Palisades Fire along the Pacific coast and the Eaton Fire in the foothills of the San Gabriel Mountains, burning over 40,000 acres and tragically killing 28 people.[23]

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20. David Gotfredson, *California Insurance Fix Will Cost Ratepayers More, per Consumer Watchdog*, CBS (Nov. 18, 2024, 9:28 PM PST), https://www.cbs8.com/article/news/local/california/california-insurance-fix-cost-ratepayers-more/509-373c92d2-97c1-480a-8694-d1b65ee3796a.

21. *Facts + Statistics: Wildfires*, INS. INFO. INST., https://www.iii.org/fact-statistic/facts-statistics-wildfires (last visited July 12, 2025).

22. *Science: Wildfire Impacts*, CAL. DEP'T OF FISH & WILDLIFE, https://wildlife.ca.gov/Science-Institute/Wildfire-Impacts (last visited July 12, 2025).

23. Yan et al., *supra* note 7; Antonio Pequeño IV, *California Fires: Here's the Data Behind the Historic Blazes That Have Burned Through 40,000 Acres*, FORBES (Jan. 21, 2025, 5:58 PM EST), https://www.forbes.com/sites/antoniopequenoiv/2025/01/21/california-fires-heres-the-data-behind-the-historic-blazes-that-have-burned-through-40000-acres.

These record-breaking wildfires are primarily driven by human-caused climate change.[24] As a result, larger and more frequent fires are putting more residents at risk. The risk is compounded by California's land use policies and housing shortage, which have encouraged construction of more homes in high-risk Wildland-Urban Interface areas, placing more Californians in harm's way.[25]

1. The Role of Climate Change in Wildfire Frequency and Severity

Climate change is a driving factor in the increase in wildfires, with rising global temperatures making fires more frequent, intense, and destructive.[26] As the planet warms, vegetation dries out, becoming more flammable and creating ideal conditions for fires to ignite, whether from natural causes or human activity.[27] These fires spread faster and burn hotter, causing greater damage.[28] The warming planet is also causing more severe droughts, creating optimal conditions for wildfires.[29] The drier a tree or grass is, the more flammable and prone to ignition it becomes.[30]

Climate change has also extended the fire season, a period where fire risk is at its peak, by twenty-seven percent globally.[31] Higher average temperatures, low humidity, and earlier snowmelt prolong the fire season, giving wildfires more time to ignite and spread.[32] Fire season used to run from June to November in Northern California, and May to October in Southern California. But due to recurring droughts, California no longer experiences a distinct fire season, as wildfires pose a year-round threat.[33] In fact, compared to just fifty years ago,

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24. Marco Turco, John T. Abatzoglou, Sixto Herrera, Yizhou Zhuang, Sonia Jerez, Donald D. Lucas, Amir AghaKouchak & Ivana Cvijanovic, *Anthropogenic Climate Change Impacts Exacerbate Summer Forest Fires in California*, EARTH, ATMOSPHERIC & PLANETARY SCIS., June 12, 2023, at 1, 5.

25. KAREN CHAPPLE ET AL., REBUILDING FOR A RESILIENT RECOVERY: PLANNING IN CALIFORNIA'S WILDLAND URBAN INTERFACE 2 (2021), https://www.next10.org/sites/default/files/2021-06/Next10-Rebuilding-Resilient-Final.pdf; *see Wildland-Urban Interface (WUI) Change 1990-2020*, SILVIS LAB, https://silvis.forest.wisc.edu/data/wui-change/ (last visited July 13, 2025).

26. Nerilie J. Abram et al., *Connections of Climate Change and Variability to Large and Extreme Forest Fires in Southeast Australia,* COMMC'NS EARTH & ENV'T, Jan. 7, 2021, at 1, 8–9.

27. *Does Climate Change Cause Wildfires?*, INT'L FUND ANIMAL WELFARE (Oct. 24, 2024), https://www.ifaw.org/international/journal/climate-change-wildfires.

28. *Id.*

29. *Id.*

30. *Id.*

31. Stefan H. Doerr, Cristina Santín, John Abatzoglou, Matthew William Jones & Pep Canadell, *Wildfire Risk Has Increased but We Can Still Influence Where and How Fires Strike*, WORLD ECON. F. (July 7, 2022), https://www.weforum.org/stories/2022/07/climate-change-wildfire-risk-has-grown-nearly-everywhere-but-we-can-still-influence-where-and-how-fires-strike.

32. *California Fire Season: In-Depth Guide*, W. FIRE CHIEFS ASS'N (Jan. 22, 2025), https://wfca.com/wildfire-articles/california-fire-season-in-depth-guide/#:~:text=Fires%20are%20possible%20throughout%20the,June)%20and%20runs%20until%20October.

33. Julie Cart, *California Infernos in January? Here's Why Wildfire Season Keeps Getting Longer and More Devastating*, CAL MATTERS (Jan. 16, 2025), https://calmatters.org/explainers/california-wildfire-season-worsening-explained.

the state experiences seventy-eight more annual "fire days," which are days when weather conditions are ideal for fires to ignite.[34]

Climate change is also linked to increased wildfires for several other reasons. For example, rising global temperatures are connected to altered weather patterns, which can change rapidly and cause more extreme wind events.[35] Strong winds, especially those that shift and change direction, can cause fires to spread more quickly and unpredictably.[36] Climate change is also causing heavier-than-average rainfall and flooding.[37] While heavier rainfall may seem beneficial in drier climates, it actually worsens wildfire risks. Increased rainfall leads to more rapid vegetation growth, which eventually dries out in the following periods of drought and creates more fuel for fires.[38] Researchers say that for every degree of warming, the atmosphere is capable of evaporating, absorbing, and releasing seven percent more water.[39] This expanded capacity essentially creates an atmospheric sponge that not only leads to flooding when conditions are wetter, but pulls extra moisture out of the plants and soils when drier conditions set in.[40] Extreme shifts between these wet and dry conditions, often referred to as "whiplash" conditions, have become more pronounced globally.[41]

This precipitation volatility contributed to California's recent devastating Los Angeles fires.[42] Following years of prolonged drought, the state experienced record-breaking rainfall in 2022 and 2023, leading to an explosive growth of flammable vegetation. This period was then followed by dry conditions in late 2024.[43] By autumn of 2024, downtown Los Angeles had received just 0.16 inches of rain, far below the yearly average.[44] Extreme warmth, the dry Santa Ana winds, and abundance of dry vegetation provided the perfect opportunity for a spark to rapidly evolve into a devastating wildfire.[45] In sum, the escalating impacts of climate change, including extreme temperature fluctuations, altered precipitation patterns, and prolonged droughts, are creating a cycle that amplifies wildfire risks.

34. *Id.*
35. INT'L FUND ANIMAL WELFARE, *supra* note 27.
36. *Id.*
37. *Id.*
38. *Id.*
39. Matt McGrath, *Climate 'Whiplash' Linked to Raging LA Fires*, BBC (Jan. 9, 2025), https://www.bbc.com/news/articles/c0ewe4p9128o.
40. Daniel L. Swain, Andreas F. Prein, John T. Abatzoglou, Christine M. Albano, Manuela Brunner, Noah S. Diffenbaugh, Deepti Singh, Christopher B. Skinner & Danielle Touma, *Hydroclimate Volatility on a Warming Earth*, 6 NATURE REVS. EARTH & ENV'T 35, 43 (2025).
41. *Id.* at 36.
42. McGrath, s*upra* note 39.
43. *Id.*
44. *Id.*
45. Scott Neuman, *What Are the Santa Ana Winds and How Are They Impacting the LA Wildfires?*, CAPRADIO (Jan. 9, 2025), https://www.capradio.org/articles/2025/01/09/what-are-the-santa-ana-winds-and-how-are-they-impacting-the-la-wildfires.

2. *The Impact of Urban Sprawl on Wildfire Risk*

While fires have increased in severity and frequency due to climate change, urban sprawl is rapidly expanding into wildfire prone areas. Urban sprawl is the spread of urban development to undeveloped land near a city.[46] Between 1990 and 2020, nearly forty-five percent of new homes built in California were located within the Wildland-Urban Interface (WUI), areas where residential development meets and intermingles with wildlands.[47] The WUI is particularly vulnerable to wildfires due to its proximity to natural landscapes including state forests, scrublands, and grasslands.[48] Today, over twenty-five percent of California's population (over eleven million people) live in the WUI, even though these areas comprise less than seven percent of the state's land.[49]Additionally, between thirty-two and forty percent of the state's housing units (about five million units)[50] are located in the WUI, which represents $1.3 trillion in real estate.[51] The growth into these wildfire-prone areas is partly driven by California's housing shortage.[52] Because the WUI remains one of the few regions in the state with available and relatively affordable land, it draws more people to the outskirts of urban areas.[53]

This rapid expansion of homes into the WUI is not without consequence. Research shows that homes located close to wildlands face much higher wildfire risks than those in urban areas.[54] Between 1985 and 2013, more than eighty percent of the structures destroyed by wildfires were located in the WUI.[55] California's Department of Forestry and Fire Protection (CAL FIRE), the state's fire agency, has determined that nearly two million homes and one in four residential structures in California are situated in what are considered "high" or "very high" risk fire severity zones.[56] CAL FIRE's fire hazard severity maps classify fire hazard severity zones based on the likelihood that different areas

46. *Urban Sprawl*, MERRIAM-WEBSTER, https://www.merriam-webster.com/dictionary/urban%20sprawl (last visited July 14, 2025).

47. Ben Christopher, *Why California Keeps Putting Homes Where Fires Burn*, CAL MATTERS (Jan. 16, 2025), https://calmatters.org/housing/2025/01/ca-wui-housing-policy; *see* SILVIS LAB, *supra* note 25.

48. Heather Anu Kramer, Miranda H. Mockrin, Patricia M. Alexandre, & Volker C. Radeloff, *High Wildfire Damage in Interface Communities in California*, 28 INT'L J. WILDLAND FIRE 641, 643 (2019).

49. *The Wildland-Urban Interface*, THEODORE PAYNE FOUND. FOR WILD FLOWERS & NATIVE PLANTS, https://theodorepayne.org/wildland-urban-interface/ (last visited July 14, 2025); *see* SILVIS LAB, *supra* note 25.

50. Shu Li, Vu Dao, Mukesh Kumar, Phu Nguyen & Tirtha Banerjee, *Mapping the Wildland-Urban Interface in California Using Remote Sensing Data*, SCI. REPS., Apr. 6, 2022, at 1, 3.

51. Aleksander K Berg, Dylan S. Connor, Peter Kedron & Amy E. Frazier, *Remapping California's Wildland Urban Interface: A Property-Level Time-Space Framework, 2000–2020*, APPLIED GEOGRAPHY, Apr. 27, 2024, at 1, 9.

52. Miriam Greenberg, Hillary Angelo, Elena Losada & Christopher C. Wilmers, *Relational Geographies of Urban Unsustainability: The Entanglement of California's Housing Crisis with WUI Growth and Climate Change*, PNAS, July 29, 2024, at 1, 1–2.

53. *Id.* at 2.

54. *See* Kramer et al., *supra* note 48, at 647.

55. *Id.* at 645.

56. Assemb. 3074, 2019–2020 Leg., Reg. Sess. (Cal. 2020).

will experience wildfire.[57] Factors such as fuel loading (the amount of flammable material in a given area), slope, fire weather, and high wind determine zones that are more likely to experience wildfires.[58]

While these maps are helpful in identifying some areas at risk of wildfire, they can be outdated and incomplete, leaving gaps in fire-risk data.[59] For example, CAL FIRE's fire hazard severity maps only include data on areas where the state is financially responsible for fire prevention and protection costs, which excludes a large portion of California's most populated areas within incorporated cities or federal lands.[60] Consequently, it can be difficult to accurately classify what constitutes a "high risk" or "very high risk" zone, as many areas outside of CAL FIRE's data set are still highly vulnerable.

Despite the risks associated with building more homes in the WUI, California continues to build in these risky areas. If current land-use practices persist, an additional 640,000 to 1.2 million new homes could be built in the most fire-prone areas of California by 2050.[61] This expansion, which is partly driven by the state's ongoing housing crisis, increases the likelihood of devastating wildfires.[62] Nearly all contemporary wildfires in California are initiated by human activity, from sources such as downed power lines, electrical equipment malfunctions, and even arson contributing to the ignition of fires.[63] While climate change has created environmental conditions that make areas more susceptible to wildfires, increased human activity in these regions raises the chances of a spark quickly escalating into a major fire.[64] As more homes are built in fire-prone zones, the risk of large-scale wildfires grows, fueling a cycle of devastation.

The tension between wildfire risk and California's urgent need for affordable housing makes the issue particularly difficult. As experts have noted, the state's chronic housing crisis, driven by a severe shortage of homes and apartments, often drives development into WUI areas because they are the few remaining areas with affordable and available real estate in the state.[65] At the urban fringes, where many of California's affordable housing options are

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57. *Fire Hazard Severity Zones*, CAL FIRE, https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones (last visited July 19, 2025).

58. *Frequently Asked Questions About: 2024 Fire Hazard Severity Zones*, CAL FIRE 1 (Dec. 18, 2024), https://34c031f8-c9fd-4018-8c5a-4159cdff6b0d-cdn-endpoint.azureedge.net/-/media/osfm-website/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones/2024-fhsz-faqs_english.pdf?rev=538374a27bb44bbab4c2786ff2eafb39&hash=AD4DB7857E3EF6F0BEC0B56429A1C262.

59. *Id.*

60. *Id.*

61. CTR. FOR BIOLOGICAL DIVERSITY, BUILT TO BURN: CALIFORNIA'S WILDLANDS DEVELOPMENTS ARE PLAYING WITH FIRE 5 (2021).

62. Christopher, *supra* note 47.

63. Jeremy White, *Many of California's Most Destructive Fires Were Caused by Power Lines*, N.Y. TIMES (Jan. 13, 2025), https://www.nytimes.com/interactive/2025/01/13/us/los-angeles-fires-cause.html.

64. Christopher, *supra* note 47.

65. *Id.*

located, the decision to build is a difficult one. California will continue to grapple with these dual crises, wildfire devastation and a growing housing shortage, and seek to strike a balance between fire safety and increased housing development.

B. THE EFFECT OF WILDFIRE RISK ON CALIFORNIA'S HOUSING MARKET

With more housing built in the WUI, the long-term impact of wildfires on California's housing market has become increasingly important. After losing her home in the 1991 Oakland Hills fire, UC Berkeley economist Nancy Wallace assembled a team of economists to study the broader impacts of wildfire risk on California's housing markets.[66] Their research aimed to understand the systemic effects of wildfires on property values, specifically in areas that were destroyed by fire and then rebuilt.[67] Wallace and her team analyzed CAL FIRE technician data, which is created each time a California fire occurs and includes an investigation into the damage, detailed maps of the burn areas, and documentation of the destruction.[68] Using this data, the research team compared homes that were destroyed by fires between 2001 and 2015 to nearby homes that remained intact.[69] Their model revealed unexpected results.[70]

While one might assume that property values in areas scorched by wildfires would decrease due to the destruction of homes and increased risk of future fires, the study found the opposite.[71] Five years after the fires, home prices and square footage in wildfire-affected areas had actually increased.[72] This increase in property values was partly driven by the fact that rebuilt homes were constructed according to modern building codes, making them more fire-resistant, earthquake-proof, and generally safer.[73] Property values were further boosted when entire communities built back larger, more resilient homes.[74]

Fires are undeniably catastrophic, resulting in the loss of lives, injuries, business disruptions, and the destruction of irreplaceable sentimental items. Psychologically, survivors often face intense emotions of fear, grief, and an uncertain future.[75] For those without insurance, the financial toll can be particularly devastating. However, during the period examined by the

66. Greg Rosalsky, *This Economist Survived a Wildfire. Now She's Taking on California's Insurance Crisis*, NPR (Jan. 23, 2025, 6:30 AM ET), https://www.npr.org/sections/planet-money/2025/01/23/g-s1-44265/california-wildfire-homes-insurance-prices-crisis.

67. Paulo Issler, Richard Stanton, Carles Vergara-Alert & Nancy Wallace, Housing and Mortgage Markets with Climate Risk: Evidence from California Wildfires 1 (Apr. 2, 2024) (unpublished manuscript), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3511843.

68. Rosalsky, *supra* note 66.

69. Issler et al., *supra* note 67, at 12 tbl. 1.

70. *Id.* at 2.

71. Rosalsky, *supra* note 66.

72. Issler et al., *supra* note 67, at 8.

73. Rosalsky, *supra* note 66.

74. *Id.*

75. Alice Park, *The Mental-Health Toll of the California Wildfires Is Just Beginning*, TIME (Feb. 5, 2025, 12:15 PM EST), https://time.com/7207912/los-angeles-california-wildfires-mental-health-support.

economists, when private insurance markets were largely functional and provided full coverage with generous payouts, fires generally were, in fact, a financial gain for the average insured homeowner who lost their property.[76] Developers and construction companies also benefitted from the rebuilding process, while cities saw increased revenue from property taxes as home values rose, helping offset some of the fire fighting and recovery efforts.[77]

From 2001 to 2015, the enormous financial burden of rebuilding these communities was largely absorbed by insurance companies.[78] Insurance companies provided comprehensive coverage that enabled homeowners to rebuild. In a functioning insurance market, these costs are spread through premiums charged to policyholders. However, the increasing frequency and severity of wildfires in the last decade has placed considerable strain on California's homeowner insurance market.[79] Over time, this market has shown signs of dysfunction, eventually leading to an insurance crisis, as insurers struggle to maintain solvency in the face of these rising risks.[80] While rebuilding after fires once offered an economic advantage to insured homeowners, the current insurance landscape no longer offers the same level of support, undoubtedly affecting the housing market.

C. HISTORY OF WILDFIRE INSURANCE REGULATION IN CALIFORNIA

To understand the current insurance crisis, it is essential to explore the history of insurance regulations in California. Following World War II, California experienced rapid urban expansion, particularly in the WUI areas that are especially vulnerable to wildfires.[81] In 1950, the first homeowners' package insurance policy, which combines several types of coverage into one, was introduced.[82] This population boom fueled a flourishing private homeowners insurance market during the 1950s and 1960s with little regulatory oversight.[83]

It was not until the 1980s that the CDI began to impose stricter regulations on the industry. Between 1985 and 1987, homeowners' insurance premiums increased as a result of rising interest rates.[84] This price jump led to growing concerns about the rising costs of policy rates and potential impacts on the

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76. Issler et al., *supra* note 67, at 3.
77. Rosalsky, *supra* note 66.
78. Issler et al., *supra* note 67.
79. Rosalsky, *supra* note 66.
80. *Id.*
81. Brian Potter, *How California Turned Against Growth*, CONSTR. PHYSICS (Aug. 8, 2024), https://www.construction-physics.com/p/how-california-turned-against-growth.
82. *Insurance Handbook: Brief History*, INS. INFO. INST., https://www.iii.org/publications/insurance-handbook/brief-history (last visited Aug. 7, 2025); *see also Package Policy*, INSURANCEOPEDIA, https://www.insuranceopedia.com/definition/3312/package-policy (last visited Sept. 17, 2025).
83. SWISS RE, A HISTORY OF U.S. INSURANCE 25 (2017), https://www.swissre.com/dam/jcr:36ebe594-097d-4d4d-b3a7-2cbb8d856e85/150Y_Markt_Broschuere_USA_EN_Inhalt.pdf.
84. *Insurance Crisis: How Insurance Companies Periodically Disrupt the Economy and Why* (Aug. 1, 2000), CONSUMER WATCHDOG, https://consumerwatchdog.org/uncategorized/insurance-crisis-how-insurance-companies-periodically-disrupt-economy-and-why.

housing market. To counter these inflated rates, consumer activists championed Proposition 103 (Prop 103), officially titled the Insurance Rate Reduction and Reform Act, which sought to strictly regulate premium rates set by insurers.[85] The ballot initiative was narrowly approved by California voters.[86] Any rate increases above seven percent required explicit approval, and consumer protection groups could intervene to challenge increases over this threshold, creating expensive legal costs for insurers.[87] Getting approval for these rate hikes proved to be difficult and lengthy, causing approvals to lag behind the actual price of risk the insurance policies were covering.[88]

Unlike other states, California prohibited insurers from using forward-looking climate models to predict the size and location of catastrophes when setting their rates.[89] Instead, insurers were mandated to rely on twenty years of historical data for pricing their policies.[90] This reliance on outdated data inevitably led to premiums that failed to reflect the true risk in fire-prone areas.[91] Meanwhile, reinsurance companies, which provide insurance policies for insurers, were not subject to these same regulations and could increase their rates.[92] Since insurers sometimes rely on reinsurance to cover the costs of large payouts after extreme weather events, this disparity created additional financial strain on the insurance market.[93] Adding to the challenge, Prop 103 prohibited insurers from recovering the cost of reinsurance through higher premiums.[94] As a result, insurers were not allowed to pass any reinsurance costs onto consumers and were forced to absorb these substantial costs themselves, while keeping premiums artificially low.[95]

In the early 2000s, California's insurance market tightened as a result of catastrophic fires, such as the 1991 Oakland Hills fire that destroyed over 3,000 homes and caused billions in damage.[96] As wildfire events escalated in the 2010s, including the 2015 Valley Fire, 2017 Tubbs Fire, and 2018 Camp Fire, some of the most destructive in California's history, insurance companies found

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85. CAL. INS. CODE §§ 1861.01–.16 (West 2025).

86. Lawrence "Lars" Powell, R.J. Lehmann & Ian Adams, *Rethinking Prop 103's Approach to Insurance Regulation*, INT'L CTR. FOR L. & ECON., Nov. 6, 2023, at 1, 3–4, https://laweconcenter.org/resources/rethinking-prop-103s-approach-to-insurance-regulation ("Prop 103 carried narrowly with 51.1% yes votes to 48.9% against.").

87. CAL. INS. CODE §§ 1861.05(c), 1861.10(a) (West 2025).

88. Powell et al., *supra* note 86, at 15.

89. CAL. CODE REGS. tit. 10, § 2644.4.5(e) (2024).

90. *Id.*; Rosalsky, *supra* note 66; *see* Powell et al., *supra* note 86, at 11; CAL. INS. CODE § 1861.05(a)–(c) (West 2025).

91. Rosalsky, *supra* note 66.

92. *Id.*

93. *Id.*

94. *Id.*

95. Jeff Dunsavage, *How Proposition 103 Worsens Risk Crisis in California*, INS. INFO. INST.: THE TRIPLE-I BLOG (Sept. 21, 2023), https://insuranceindustryblog.iii.org/how-proposition-103-worsens-risk-crisisin-california-2.

96. *The Oakland Hills Firestorm | Forward*, E. BAY REG'L PARK DIST., https://www.ebparks.org/about-us/stories/oakland-hills-firestorm-forward (last visited July 20, 2025).

themselves unable to keep up with the mounting costs of claims.[97] The inability to adjust rates adequately caused major insurers like Allstate, Farmers, and State Farm to reduce their exposure by halting new policies in high-risk areas like the WUI.[98] By 2019, the number of nonrenewed residential policies in California increased by thirty-six percent.[99]

By the 2020s, the insurance system reached a breaking point. Rising temperatures, prolonged droughts, and stronger winds are fueling increasingly severe wildfire seasons.[100] At the same time, more Californians are settling in high-risk fire zones, making the scale of wildfire risk unmanageable.[101] In a free market, this growing risk would be reflected in higher premiums. But the state's strict regulations have continued to keep prices artificially low, leading to significant losses for insurers.[102] As a result, many of the major insurers stopped writing insurance policies altogether and fled the state, unable to balance the rising costs of wildfire claims with the constraints of Prop 103.[103]

D. CALIFORNIA'S FAIR PLAN

The increasing difficulty in securing private insurance has led many Californians to turn to the state's FAIR Plan, which was established in 1968 in response to widespread fire damage from events like the Watts Riots and subsequent brush fires.[104] In the wake of these early events, private insurers pulled out of specific high-risk neighborhoods, leaving many residents without coverage.[105] The FAIR Plan was intended to be a last-resort option to fill in the gaps of the private insurance market and guarantee insurance for residents in the few areas abandoned by private insurers.[106]

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97. *Most Destructive Wildfires in California History*, ABC7 EYEWITNESS NEWS (Jan. 13, 2025), https://abc7.com/post/biggest-most-destructive-fires-california-history/15787046/; Kathleen Ronayne, *Insurers Drop Almost 350,000 California Homeowners in High-Fire Risk Areas*, MERCURY NEWS (Aug. 22, 2019, 7:15 AM PDT), https://www.mercurynews.com/2019/08/22/california-insurers-drop-policies-in-high-fire-risk-areas.

98. Ronayne, *supra* note 97.

99. Powell et al., *supra* note 86, at 5.

100. Rosalsky, *supra* note 66.

101. Kamini Yadav, Francisco J. Escobedo, Alyssa S. Thomas & Nels G. Johnson, *Increasing Wildfires and Changing Sociodemographics in Communities Across California*, *USA*, 98 INT'L J. DISASTER RISK DESTRUCTION 104065, 104067 (2023).

102. Rosalsky, *supra* note 66.

103. Ronayne, *supra* note 97.

104. Mark Anderson, *Sacramento Business Journal - For Growing Number of Homeowners, the FAIR Plan Insurance of Last Resort Is Only Option*, CONSUMER WATCHDOG (July 8, 2024), https://consumerwatchdog.org/in-the-news/sacramento-business-journal-for-growing-number-of-homeowners-the-fair-plan-insurance-of-last-resort-is-only-option.

105. Gretchen Morgenson, *First the Fires, Now the Fight: Flaws in California Insurance Plan Will Test L.A. Homeowners*, NBC NEWS (Jan. 19, 2025, 11:31 AM PST), https://www.nbcnews.com/news/first-fires-now-fight-flaws-california-insurance-plan-will-test-l-home-rcna187569.

106. Anderson, *supra* note 104.

Initially, the FAIR Plan was a temporary solution, available only to those who had been repeatedly denied coverage by private insurers.[107] It was funded by a levy on the state's regulated insurers, allowing them to continue selling property insurance in exchange for their participation in the FAIR Plan.[108] However, the FAIR Plan faced a major crisis in the aftermath of the 1994 Northridge earthquake, when insurers facing massive claims withdrew from offering coverage.[109] Homeowners were unable to purchase homeowners' insurance at any cost.[110] In response, the FAIR Plan was expanded to cover all of California, ensuring that the real estate market did not collapse in the absence of private insurance options.[111]

In recent years, the FAIR Plan has been used in ways that were never intended. The number of policies issued by the FAIR Plan has skyrocketed due to private insurers pulling out of the state, rapidly turning it into the primary way to obtain homeowners insurance.[112] Between 2018 and 2024, the number of policies tripled from 126,709 to 365,694.[113] As of September 2024, the FAIR Plan covers 452,000 residential properties with a total exposure of $458 billion.[114] Fair Plan policies are typically more expensive than a standard homeowner's policy from a private insurer. The actual cost of a FAIR Plan policy varies based on factors like the age and location of the home, as well as the policyholder's claims history. In California, the average cost of a FAIR Plan policy was about $3,200 per year in 2022, compared to the average $1,480 for a private homeowners policy as of October 2024. However, lawmakers' concerns about the FAIR Plan's ability to withstand such immense pressure are growing. In the summer of 2024, FAIR Plan President Victoria Roach disclosed that the FAIR Plan only had about $385 million in reserves to pay for its mounting claims.[115]

In addition to fears of insolvency, policyholders have reported high costs, low payouts, and inadequate coverage.[116] For homeowners like Sarah Maple, whose home was damaged in the CZU Lighting Complex Fire in Santa Cruz

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107. *About the California FAIR Plan*, CAL. FAIR PLAN PROP. INS., https://www.cfpnet.com/about-fair-plan (last visited July 20, 2025).

108. *Id.*

109. *The California FAIR Plan: Informational Hearing Before Assemb. Ins. Comm.*, 2023 Leg., Reg. Sess. (Cal. 2024).

110. *Id.*

111. *Id.*

112. Anderson, *supra* note 104.

113. *Id.*

114. Morgenson, *supra* note 105.

115. Megan Fan Munce, *A 'Worst-Case' Scenario: How Giant Insurance Losses from L.A. Fires Could Affect All Californians*, S.F. CHRON. (Jan. 9, 2025, 3:22 PM), https://www.sfchronicle.com/california-wildfires/article/home-insurance-disaster-prices-20022809.php.

116. *See* Anser Hassan, *Rising Concerns over CA FAIR Plan's Financial Capability Due to LA Wildfire Costs*, ABC7 NEWS (Jan. 10, 2025), https://abc7news.com/post/rising-concerns-california-fair-plans-financial-capability-due-los-angeles-wildfire-costs/15788536.

County, the experience with the FAIR Plan has been deeply frustrating.[117] After being dropped by two private insurers, Maple obtained a policy under the FAIR Plan and received a settlement that barely covered the repair costs.[118] While Maple was in the process of repairing her home, the allowance for her rental payments were cut.[119] The frustrating process led her to sell her Santa Cruz home and become a renter in San Francisco instead.[120]

As more residents turn to the FAIR Plan after the recent Los Angeles fires, concerns about its financial stability and operational inefficiencies continue to mount.[121] Some 3,600 policyholders in Los Angeles have filed claims following the fires in January 2025.[122] These FAIR Plan policyholders cited issues in the claim filing process, such as low settlement offers and a lack of transparency.[123] Estimated losses from the Los Angeles fires are continuing to rise, and questions are being raised about how the FAIR Plan is going to pay for these claims.[124] If the FAIR Plan were to go bankrupt, regular insurers in California would be responsible for bailing out the state-run program.[125] These enormous costs would then almost certainly be passed onto consumers.[126] As the number of homeowners relying on the FAIR Plan continues to grow, its ability to meet the demands of an increasingly vulnerable population and to provide fair and timely compensation, remains uncertain. This highlights the urgent need for comprehensive reform in California's insurance system.

III. CALIFORNIA'S SUSTAINABLE INSURANCE STRATEGY

A. CALIFORNIA DEPARTMENT OF INSURANCE'S SUSTAINABLE INSURANCE STRATEGY

As private insurers began to exit the state altogether, California lawmakers and regulators recognized that the restrictive provisions of Prop 103 had become unworkable.[127] This crisis highlighted the urgent need for insurance reform,

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117. Morgenson, *supra* note 105.
118. *Id.*
119. *Id.*
120. *Id.*
121. Hassan, *supra* note 116.
122. *Id.*
123. *Id.*
124. Stephanie Sierra, *What Happens if CA FAIR Plan Goes Bankrupt? Here's How It Could Affect Policyholders*, ABC7 NEWS (Jan. 15, 2025), https://abc7news.com/post/what-happens-if-california-fair-plan-goes-bankrupt/15803207.
125. Thomas Frank, *Every California Homeowner Could Pay Tab for L.A. Wildfires*, E&E NEWS (Jan. 10, 2025, 6:27 AM EST), https://www.eenews.net/articles/every-california-homeowner-could-pay-tab-for-la-wildfires.
126. CAL. DEP'T OF INS., CAL. INS. COMM'R, BULL. NO. 2024-8, INSURER RECOUPMENT PROCEDURES IN THE HIGHLY UNLIKELY EVENT OF ASSESSMENT BY THE FAIR PLAN (2024); CAL. INS. CODE § 10095(a), (c) (West 2025).
127. Alexei Koseff, *California Lawmakers Failed to Fix the Insurance Market. So What Comes Next?*, CAL MATTERS (Sept. 14, 2023), https://calmatters.org/politics/2023/09/california-insurance-wildfires.

making it a priority across state government.[128] Before the close of the 2023 legislative session, significant efforts were made to propose a compromise plan that would address wildfire risk for insurers while also protecting homeowners.[129] Key figures like Governor Gavin Newsom and Insurance Commissioner Ricardo Lara pushed for a deal to stabilize the insurance industry.[130] However, lawmakers struggled to strike a balance between easing regulations on an overburdened insurance system and safeguarding homeowners from soaring premiums.[131] While there was a broad consensus on certain issues, such as the need to incorporate catastrophe modeling and reinsurance costs into rates, discussions faltered over how to finance the FAIR Plan and address concerns about consumer benefits.[132] Ultimately, lawmakers were unable to reach an agreement on a plan to keep insurance companies in California.[133] In response to this failed negotiation, Governor Gavin Newsom issued Executive Order N-13-23, directing Insurance Commissioner Lara to take regulatory action.[134] As a result, the CDI created California's Sustainable Insurance Strategy (CSIS) in September 2023.[135] CSIS consists of a comprehensive series of executive actions aimed at bringing insurers back to the state while providing them an easier path to raise their rates.[136] CSIS is the largest insurance reform in California in thirty-five years.[137] It aims to attract insurers by allowing them to calculate premiums based on models of future catastrophic risks, instead of just historic data, and to incorporate reinsurance costs into their premium formula.[138] In exchange for these inducements, California regulators require insurers to increase the number of policies they write in wildfire risk areas in a formula based on a percentage of their market share in the state.[139] The goal of CSIS is to provide homeowners options to buy private insurance coverage and remove them from the already overexerted FAIR Plan.[140]

To attract insurance companies, CSIS lifted the ban that Prop 103 imposed on forward-looking catastrophe models.[141] Under Prop 103, insurers in

128. *Id.*

129. *Id.*

130. *Id.*

131. *Id.*

132. *Id.*

133. *Id.*

134. CAL. EXEC DEP'T, EXEC. ORDER N-13-23 (2023).

135. *Sustainable Insurance Strategy Updates (2023-2024)*, CAL. DEP'T OF INS., https://www.insurance.ca.gov/01-consumers/180-climate-change/Sustainable-Insurance-Strategy-Updates.cfm (last visited July 30, 2025).

136. Cal. Dep't of Ins., *supra* note 18.

137. *Id.*

138. CAL. DEP'T OF INS., *supra* note 135.

139. Press Release, Cal. Dep't of Ins., Commissioner Lara Issues Landmark Regulation to Expand Insurance Access for Californians Amid Growing Climate Risks (Dec. 30, 2024), https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release065-2024.cfm.

140. CAL. DEP'T OF INS., *supra* note 135.

141. *Id.*

California were limited to using only twenty years of historical data to calculate their premiums.[142] This backward-looking risk assessment made it difficult for insurance companies to price policies in line with current and future threats.[143] As a result, premiums were kept "artificially low" as the threat posed from wildfires continued to soar.[144] CSIS now permits insurers to incorporate forward-looking climate models when setting premiums, signaling where risk is high and where it is more manageable.[145] However, there are safeguards on insurers' ability to incorporate forward-looking information. CSIS mandates that catastrophe models be based upon the best available scientific information, as determined by the Commissioner.[146] By integrating more reliable information, insurers are able to better align premiums with potential losses, which will likely enhance their profitability. However, the climate model data provided by insurance companies to the CDI is not public and cannot be obtained by a Public Records Act request.[147] CSIS also requires that anyone seeking information about how these models affect insurance pricing sign a nondisclosure agreement, which raises concerns about the transparency and accuracy of these models.[148]

As a final step in the CSIS, Commissioner Lara unveiled the Net Cost of Reinsurance in Ratemaking Regulation (NCRRR), which allows insurance companies to consider the cost of reinsurance when calculating rates.[149] This is a reversal of the restrictions of Prop 103, under which California was the only state in the country that did not allow reinsurance to be reflected in homeowners policies.[150] Insurers in California have sought the ability to factor reinsurance into their policies for years, as the cost of reinsurance has risen due to both risks posed by climate change and the increasing cost of claims due to inflation and the rising cost of labor, lumber, and other raw materials.[151] Now insurers can pass along more of these costs to consumers, reducing their own financial exposure. But NCRRR limits the cost of reinsurance to California-only costs in rates, meaning reinsurance companies can now only calculate risks occurring within the state of California.[152] These regulations ensure that reinsurance

142. Powell et al., *supra* note 86, at 10.

143. *Id.*

144. Rosalsky, *supra* note 66; *see also* Chris Isidore, *California's Insurance Is in Crisis. The Solution Will Cost Homeowners a Ton*, CNN (Jan. 9, 2025, 3:57 PM EST), https://www.cnn.com/2025/01/09/business/california-wildfires-homeowners-insurance/index.html (stating California homeowners will almost certainly pay higher premiums after the fires).

145. Kara Manke, *Researchers Reveal a Hidden Factor in California's Insurance Crisis: The 'Winner's Curse'*, UC BERKELEY NEWS (July 18, 2024), https://news.berkeley.edu/2024/07/18/researchers-reveal-a-hidden-factor-in-californias-insurance-crisis-the-winners-curse.

146. CAL. CODE REGS. tit. 10, § 2644.4.5(f)(1) (2024).

147. *Id.* § 2648.5(d).

148. *Id.* § 2648.5(j)(2).

149. Cal. Dep't of Ins., *supra* note 139.

150. CAL. INS. CODE § 623 (West 2025).

151. Isidore, *supra* note 144.

152. CAL. DEP'T OF INS., *supra* note 135.

companies do not pass along the costs of events like East Coast hurricanes or Midwest floods to California policyholders.[153]

In exchange for these regulatory "carrots," CSIS requires insurance companies to commit to writing at least eighty-five percent of their statewide market share in wildfire-distressed areas.[154] This means that if an insurance company writes twenty out of every 100 state policies, it must insure seventeen in a high-risk area.[155] To determine where insurers should focus on writing new policies, the CDI has developed a statewide insurance map to show where this increased coverage is needed throughout the state, highlighting areas with high concentrations of wildfire risk and FAIR Plan policies.[156] The map identifies ZIP Codes where over fifteen percent of policies are written by the FAIR Plan, areas with low incomes and high insurance premiums (above $4 per $1,000 of coverage), and counties where more than twenty percent of homes are considered "high risk" based on CAL FIRE's fire hazard severity zone map.[157] Insurance companies can use this data to adjust their policies and rates, with a focus on increasing coverage in wildfire-prone areas, particularly in WUI regions where FAIR Plan policies are prevalent.[158]

In tandem with this wildfire risk map, the CDI has partnered with California State Polytechnic University, Humboldt (Cal Poly Humboldt) to create a strategy group to undertake a public wildfire catastrophe model.[159] The strategy group will use information from California's research and higher education institutions to make recommendations for a publicly accessible data source to predict future wildfire losses.[160] This public model can serve as a benchmark for fair and accurate insurance rates, and provide accessible data for wildfire safety efforts.[161] The strategy group presented its recommendations to the insurance Commissioner by April of 2025.[162]

In line with CSIS's goal of reducing reliance on the FAIR Plan, those insured through the FAIR Plan will be given priority for transitioning to the standard market, provided they implement wildfire mitigation measures on their

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153. *Id.*

154. *California's Sustainable Insurance Strategy*, CAL. DEP'T OF INS. (Sept. 21, 2023), https://www.insurance.ca.gov/0400-news/0100-press-releases/2023/upload/California-s-Sustainable-Insurance-Strategy-slides.pdf.

155. Cal. Dep't of Ins., *supra* note 18.

156. Press Release, Cal. Dep't of Ins., Commissioner Lara Unveils Next Steps in His Strategy to Expand Coverage Options for Californians in Areas of High Wildfire Risk (June 12, 2024), https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release023-2024.cfm.

157. *Id.*

158. *Id.*

159. Press Release, Cal. Dep't of Ins., Commissioner Lara and Cal Poly Humboldt Announce Joint Effort to Create Nation's First Public Wildfire Catastrophe Model (Sept. 17, 2024), https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release043-2024.cfm.

160. *Id.*

161. *Id.*

162. *Id.*

properties.[163] These mitigation measures are outlined in the Safer from Wildfires regulation, a wildlife resilience program that provides specific measures for landowners to take in fireproofing their buildings.[164] Measures include installing upgraded roofs and windows, creating a five-foot ember resistant zone around a property, installing specialized vents, and removing combustible material from the area surrounding a property.[165] These measures may be achievable for some homeowners and offer additional protection to structures and their immediate surroundings. However, for homeowners like Bischetti, costs like tree removal can be prohibitively expensive.

The CDI has pledged to monitor the insurance companies' compliance with this commitment by reviewing their rate filings and hiring additional staff to take on this task.[166] Rate filings are the process by which insurance companies submit proposed rate changes to the state for review and approval.[167] If these rate filings are not in compliance with their commitment to writing new policies in wildfire-distressed and underserved areas, the companies will face enforcement measures, including addressing any excessive rates.[168]At the same time, CSIS has vowed to increase the efficiency of the rate approval process by speeding up rate approval timelines.[169]

Overall, CSIS is intended to lessen the burden on public insurance programs and attract private insurers back to California. The CDI finalized CSIS in December 2024, but its effectiveness remains to be seen.[170] While CSIS has the potential to improve insurance access and expand the availability of climate data and modeling, its ability to stabilize the insurance market will depend on how well it can balance the needs of both insurers and consumers.

B. California's Sustainable Insurance Strategy Does Not Go Far Enough

While CSIS is a step in the right direction and will allow Californians more options in the insurance market, the strategy, as it currently stands, still has limitations and falls short of fully addressing consumer protection issues. Policy prices will undoubtedly rise now that insurance companies are allowed to factor future climate change risks and reinsurance costs into their rates.[171] As more

163. Cal. Dep't of Ins., *supra* note 135.

164. *Safer from Wildfires*, Cal. Dep't of Ins., https://www.insurance.ca.gov/01-consumers/200-wrr/Safer-from-Wildfires.cfm (lasted visited July 30, 2025).

165. *Id.*

166. Cal. Dep't of Ins., *supra* note 135.

167. *Rate Filing Review Process*, Cal. Dep't of Ins., https://www.insurance.ca.gov/0250-insurers/0800-rate-filings/rate-filing-review-process.cfm (last visited July 30, 2025).

168. Cal. Dep't of Ins., *supra* note 135.

169. Press Release, Cal. Dep't of Ins., Commissioner Lara Moves to Implement New Insurance Rate Review Reforms (Aug. 9, 2024), https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release035-2024.cfm.

170. Cal. Dep't of Ins., *supra* note 135.

171. Isidore, *supra* note 144.

costs are passed onto consumers, many Californians are concerned that skyrocketing premiums could continue to shut them out of the private insurance market.[172] Further, insurance company's climate risk models are not required to be released to the public under these regulations, raising concerns about artificial inflation of the cost of these risks.[173] These models influence the rate hikes set by insurance companies, yet there is little public information regarding how exactly climate risks affect those rates, potentially leading consumers to question their validity. Additionally, the rate review process for premiums has been expedited, limiting the opportunity for the public to comment on rate hikes.[174] As a result, these changes may attract insurance companies back to California, but they may not necessarily lead to any meaningful increase in coverage or benefits for consumers.

1. Cost

The implementation of CSIS will lead to higher premiums in California as insurers adjust to wildfire risks and reinsurance costs, but the exact impact on consumers remains uncertain. CSIS will allow insurance providers to rely on forward-looking models to assess and price wildfire risk into their policies.[175] These catastrophe models are computerized processes that simulate catastrophic events, such as wildfires.[176] Catastrophe models can more accurately price California's insurance industry, as the more risk an area poses, the higher premiums will be.[177] Once insurance companies begin to issue policies in California again, these policies will be expensive to account for this corrected risk. Adding to these costs, CSIS allows private insurers to charge customers for the rate of reinsurance, which was previously prohibited under Prop 103. By accurately accounting for risk and passing along the cost of reinsurance, insurance companies can recover some or all of their losses after major wildfires.[178]

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172. *Id.*

173. Carmen Balber, *As Drafted, Insurance Commissioner's Proposed Rules for Insurance Catastrophe Models Preserve Secrecy of Black Box Models*, CONSUMER WATCHDOG (Mar. 14, 2024), https://consumerwatchdog.org/insurance/as-drafted-insurance-commissioners-proposed-rules-for-insurance-catastrophe-models-preserve-secrecy-of-black-box-models.

174. Brett Horoff, *Three Key Changes in California's Proposed Filing Regulations*, PERR KNIGHT, https://www.perrknight.com/three-key-changes-in-california-proposed-filing-regulations/ (last visited Aug. 2, 2025).

175. Cal. Dep't of Ins., *supra* note 18.

176. John Woolfolk, *Catastrophe Modeling Proposal Would Reshape California's Home Insurance*, L.A. DAILY NEWS (Mar. 21, 2024, 4:38 PM PDT), https://www.dailynews.com/2024/03/21/commissioner-unveils-plan-for-home-insurers-to-base-rate-hikes-on-catastrophe-prediction-models.

177. CAL. DEP'T OF INS., *supra* note 135.

178. Becca Habegger, *California FAIR Plan Can Pass Extreme Costs on to Consumers, Department of Insurance Says*, ABC10 (Sept. 3, 2024, 8:08 PM PDT), https://www.abc10.com/article/news/local/wildfire/california-fair-plan-extreme-costs/103-efece771-4022-495f-9317-9da6ef7627f6.

This trend of rising premiums in disaster-prone states isn't unique to California. In states like Florida and Louisiana, insurers have similarly raised prices to address growing climate risk, including more frequent and costly hurricanes.[179] In those states insurers have also faced insolvency, canceled policies, or exited the market completely.[180] However, it is unclear just how much these rates will increase once insurers return to California.[181] These increases may be prohibitively expensive for individual customers, leading many to still rely on the FAIR Plan, not purchase homeowners' insurance at all, or simply move out of state.[182]

One significant concern with CSIS is that there is no guarantee that insurers who resume writing policies in the state will charge affordable rates. With more insurance companies writing policies in specific areas, market competition could help make premiums more affordable.[183] However, this depends on the number of insurers returning to the state; if competition fails to materialize, high premiums could continue to prevent residents in wildfire-prone areas from obtaining insurance.[184] Absent a major market correction, high insurance rates could lead residents in wildfire-prone areas to abstain from purchasing insurance.[185] Many mortgage lenders require fire insurance for loan approval.[186] If Californians are unable to purchase homeowners' insurance, there will likely be a significant effect on the housing market.[187]

Another key component of CSIS is a commitment for insurers to expand home insurance coverage in wildfire areas to eighty-five percent of their market share outside risky areas.[188] However, critics argue that insurers could fulfill this commitment by offering policies with limited benefits and high rates.[189] While the goal of the insurance strategy is to get Californians out of the FAIR Plan,

179. Christine Ji, *Home Insurance Premiums Are Projected to Skyrocket up to 14% This Year in These 13 States as Climate Change Causes an 'Insurance Crisis'*, BUS. INSIDER (Oct. 22, 2024, 9:22 AM PT), https://www.businessinsider.com/climate-change-homeowners-insurance-premium-costs-crisis-skyrocketing-states-hurricanes-2024-10.

180. *Id.*

181. Danielle Venton, *Insurance in California Is Changing. Here's How It May Affect You*, KQED (Nov. 13, 2023), https://www.kqed.org/science/1985175/insurance-in-california-is-changing-heres-how-it-may-affect-you.

182. Isidore, *supra* note 144.

183. Natalie Todoroff, *California's Sustainable Insurance Strategy: What the Most Extensive Insurance Overhaul in 30 Years Means for Homeowners*, BANKRATE (Sept. 30, 2024), https://www.bankrate.com/insurance/homeowners-insurance/california-sustainable-insurance-strategy.

184. *Id.*

185. Isidore, *supra* note 144.

186. *How to Afford Fire Insurance in California,* KIN: HOME INS. DEMYSTIFIED BLOG (Feb. 5, 2025), https://www.kin.com/blog/fire-insurance-california.

187. Venton, *supra* note 181.

188. CAL. DEP'T OF INS., *supra* note 135.

189. Carmen Balber, *Records Show Insurance Commissioner's Deal with Industry to Expand Wildfire Coverage Is a Sham*, CONSUMER WATCHDOG (Oct. 26, 2023), https://consumerwatchdog.org/insurance/records-show-insurance-commissioners-deal-with-industry-to-expand-wildfire-coverage-is-a-sham.

private insurance companies will likely offer similar insurance options.[190] Therefore, it is unclear what benefit CSIS policies will provide to consumers within these areas, other than removing them from the government's overtaxed insurance plan.

Ultimately, CSIS may offer modest reductions in policy costs for homeowners in high-risk areas, but the exact pricing of these new private policies remains unclear. As the threat of wildfire grows, these risk-prone areas are likely to expand, affecting more Californians. While homeowners may have the option to transition away from the FAIR Plan, they may find that coverage provided by private insurers is equally expensive and bare boned.[191] For wealthier Californians, the increased cost of insurance may be manageable, but for those with lower incomes it could be devastating.[192] Many homeowners may no longer be able to afford insurance or may struggle to purchase homes in these areas. For others, the choice may come down to either living without insurance altogether or moving away from these high-risk regions, placing further strain on California's struggling housing market.[193]

2. *Lack of Transparency*

While CSIS addresses the need for insurers to receive benefits in order to operate in California, it also undermines some of the key consumer protections that were at the heart of Prop 103. CSIS allows private companies to keep their catastrophe models secret, which raises concerns that this approach will increase home insurance rates without transparency or accountability.[194] Information about climate models provided by insurance companies to the CDI is not public and cannot be obtained by a Public Records Act request.[195] CSIS also enhances secrecy by compelling any party seeking information about a model's impact on insurance prices to sign a nondisclosure agreement.[196] While it is likely that insurance companies prefer to keep their climate data and models secret to keep them competitive in the marketplace, this does not provide much room for public review, oversight, or control over insurance rates or discriminatory practices. In fact, the climate change models used are not publicly tested for their accuracy nor open for public scrutiny.[197]

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190. *Id.*

191. *Id.*

192. Rosalsky, *supra* note 66.

193. Giulia Carbonaro, *What Fires Will Do to California's Housing Market*, NEWSWEEK (Jan. 27, 2025, 5:26 AM EST), https://www.newsweek.com/what-fires-will-do-california-housing-market-2020337.

194. Beth Musselwhite, *Consumer Watchdog Opposes Proposal for Black Box Models in Wildfire Risk Prediction*, REINSURANCE NEWS (May 1, 2024), https://www.reinsurancene.ws/consumer-watchdog-opposes-proposal-for-black-box-models-in-wildfire-risk-prediction.

195. CAL. CODE REGS. tit. 10, § 2648.5(d) (2024).

196. *Id.* § 2648.5(j)(2).

197. *Id.* § 2644.4.5.

The public wildfire catastrophe model produced by the CDI and Cal Poly Humboldt attempts to offers a solution to this transparency issue.[198] By offering consumers more access to data, this model could potentially serve as a benchmark for fair and accurate insurance rates, while also supporting efforts to improve wildfire safety.[199] This increased transparency may pressure private insurers to more accurately reflect risks in their pricing, but insurers are not mandated to use this model, and still have the freedom to use their own private algorithms.[200] As a result, consumers remain concerned that insurers may exploit this flexibility and overstate risk and unjustifiably raise rates.

Additionally, consumer protection organizations are worried that loopholes in CSIS will allow insurers to underdeliver on their statewide commitment to increase coverage. CSIS has vowed to increase coverage to eighty-five percent of homes in wildfire prone areas.[201] However, the text of the regulation allows all insurance companies to instead "increase[] its number of earned exposures inside the distressed areas by at least the number of policies equal to five percent."[202] Additionally, insurers can opt for an undefined "alternative commitment."[203] There are no penalties if a company fails, besides filing a new rate application, and there are no timelines for the completion of this eighty-five percent commitment.[204] The regulation was issued on an emergency basis, allowing no opportunity for public comment.

CSIS's lack of transparency and accountability will likely lead to public scrutiny and pushback. Consumer Watchdog, a consumer advocacy organization, opposes the Commissioner's proposal to allow insurance companies to use black-box catastrophe models.[205] The group claims that the current approach violates Prop 103 because the measure mandates that insurance companies disclose factors affecting insurance prices.[206] Insurers are not required to ensure a model's reliability before implementing rate hikes. This lack of transparency could lead to pushback and potentially even lawsuits upon enactment.

3. Expediting the Rate Approval Process Leaves Room for Error

CSIS recently updated the rate review timelines and changed its rate filing procedures.[207] The goal was to "increase the transparency and speed of rate change application review and approval times."[208] While this expediency will

198. Cal. Dep't of Ins., *supra* note 159.
199. *Id.*
200. CAL. CODE REGS. tit. 10, § 2644.4.5 (2024).
201. Cal. Dep't of Ins., *supra* note 135.
202. CAL. CODE REGS. tit. 10, § 2644.4.8(f)(2) (2024).
203. *Id.* § 2644.4.8 (j).
204. *Id.* § 2644.4.5.
205. Musselwhite, *supra* note 194.
206. *Id.*
207. CAL. DEP'T OF INS., *supra* note 154.
208. Cal. Dep't of Ins., *supra* note 169.

likely help push rate approval applications through the process quickly, it also leaves room for error. Like other states, California uses a "prior approval" system for insurance rate filings. Under a prior approval system, insurance companies are required to submit rate filings to the CDI before they implement any rate changes to their policies.[209] This process involves several steps. First, insurance companies submit rate filings to the CDI, including any proposed changes in premiums for various insurance products.[210] To expedite the rate approval process, the CDI is in the process of creating a data reconciliation tool, which works as a checklist for insurance companies to provide all information needed for a rate change filing before they submit their application to the CDI.[211] The department then reviews rate filings to ensure they meet the basic compliance requirements.[212] After an initial review, there is a public review period in which consumer advocacy groups and stakeholders can provide feedback on the proposed changes.[213] Then, the CDI evaluates the proposed rates in light of public comments to ensure their adequacy and fairness.[214] Finally, the CDI decides whether to approve or deny the proposed rate.[215]

CSIS provides insurers more time to gather missing information from their applications and reduces the time frame for public notice and commentary after the application has been submitted.[216] There is a concern that these expedited timelines, coupled with the backlog of rate applications, will lead to cursory approvals that do not account for the public's comments.[217] Additionally, there is concern that the reduced timeline for public comment will violate consumer protections established under Prop 103.[218] Under Prop 103, intervenors can participate in the public participation process and challenge excessive rate hikes.[219] If this timeline is reduced, there will be less time for the public to challenge these rate increases.[220] Consumer watchdog groups will likely challenge these expedited rate approval timelines.[221]

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209. CAL. DEP'T OF INS., *supra* note 167.
210. *Id.*
211. *Id.*
212. CAL. DEPT. INS., *supra* note 167.
213. *Id.*
214. *Id.*
215. *Id.*
216. Horoff, supra note 174.
217. Becca Habegger, *California Dept. of Insurance to Crack Down on Deadlines*, ABC10 (Aug. 12, 2024, 6:47 PM PDT), https://www.abc10.com/article/news/local/wildfire/california-dept-of-insurance-to-crack-down-deadlines/103-3dba25c4-92f4-484b-8d1c-e0b399c942e9.
218. Carmen Balber, *Consumer Participation in Insurance Rate Review, Billions in Consumer Savings, at Risk from Commission Lara's Actions*, CONSUMER WATCHDOG (Aug. 9, 2024), https://consumerwatchdog.org/insurance/consumer-participation-in-insurance-rate-review-billions-in-consumer-savings-at-risk-from-commissioner-laras-actions.
219. *Prop 103 Consumer Intervenor Process*, CAL. DEP'T OF INS., https://www.insurance.ca.gov/01-consumers/150-other-prog/01-intervenor/ (last visited Aug. 3, 2025).
220. Balber, *supra* note 218.
221. *Id.*

Concerns about these rapid changes in rate filing procedures worry consumer protection groups. It remains unclear just how these new rate approval procedures will impact rate hikes. However, there are some benefits to these procedures as well. Requiring insurance companies to provide all information in their applications before submitting them for public notice will hopefully encourage insurance companies to accurately fill out all rate filing forms. While these procedures may speed up the process and make them more efficient, Prop 103 was passed to ensure accountability and transparency in the rate hike process.[222] These regulatory changes may allow for rate hikes to get passed too quickly and without time for proper public review, likely leading to errors and haphazard applications.

Overall, CSIS is a significant step in attracting insurers back to California. However, it is currently insufficient to solve the insurance crisis in the state. Many critical questions remain, including the cost of new policies, the lack of accountability and transparency surrounding new catastrophe models, and the effectiveness of the new rate approval process.

IV. Recommendations to Improve California's Insurance Market

Despite its challenges, CSIS has made significant progress in stabilizing the state's insurance market by attracting private insurers back and offering consumers more options.[223] This success is largely attributed to two key changes: (1) allowing insurers to incorporate forward-looking climate models into their pricing strategies and (2) permitting them to pass on reinsurance costs to consumers.[224] However, this strategy is insufficient on its own. The resulting policies will likely be prohibitively expensive for many Californians, and the FAIR Plan will continue to be overextended as homeowners struggle to afford private insurance.[225] This may even lead to bankruptcy of the system, with private insurers being forced to bail out the state, increasing inflating costs.[226] Further, the inability to secure affordable homeowner insurance will create barriers to homeownership, as most mortgage lenders require insurance as a condition for obtaining a loan.[227] This could lead to a significant slowdown in the housing market, exacerbating the housing affordability crisis.[228]

To address these challenges, this Note contends that while CSIS effectively addresses many of the issues impacting insurers, it can be complemented by

222. Cal. Dep't of Ins., *supra* note 219.

223. *Farmers Now Eyeing California Favorably and Will Expand Its Coverage Options*, Ins. J. (Dec. 11, 2024), https://www.insurancejournal.com/news/west/2024/12/11/804458.htm.

224. Jason Pohl, *What's Next for Home Insurance in California After the Los Angeles Fires?*, UC Berkeley News, (Jan. 14, 2025), https://news.berkeley.edu/2025/01/14/whats-next-for-home-insurance-in-california-after-the-los-angeles-fires.

225. Morgenson, *supra* note 105.

226. Sierra, *supra* note 124.

227. Bill Alpert, *How the Wildfires Could Reshape California Mortgage Lending*, Barron's (Jan. 17, 2025, at 12:20 PM EST), https://www.barrons.com/articles/la-california-fires-mortgages-413131cb.

228. *Id.*

additional consumer-oriented solutions to ensure that insurance remains accessible and Californians are better protected against the risk of wildfire. A balanced approach that incorporates these solutions is essential to protect consumers, stabilize the insurance market, and safeguard the broader housing market from the disruptive consequences of skyrocketing insurance costs and wildfire impacts.

A. CONTINUE TO IMPLEMENT CALIFORNIA'S SUSTAINABLE INSURANCE STRATEGY

CSIS is a promising approach to address the state's ongoing insurance crisis. Several components of CSIS have the potential to effectively tackle key issues. The strategy aims to attract private insurers back to California, requires insurers to incorporate fireproofing measures into their models, and incentivizes consumer efforts to prevent fire damage. These aspects of the plan are crucial and should remain a central part of the strategy moving forward.

1. CSIS Can Attract Private Insurance Companies Back to California

The primary and most significant benefit of CSIS is that the reforms have the potential to successfully attract private insurance companies back to the state. For example, Farmers Insurance announced that it will resume offering coverage for multiple lines of insurance in California to new customers beginning in December of 2024, which remains to be seen.[229] According to Behram Dinshaw, President of Personal Lines for Farmers, this decision was largely driven by improvements to the state's insurance marketplace.[230]

As more insurance companies come back to the market, they are likely to increase the number of policies they write and renew in California, as they can now better calculate risk and anticipate future losses using forward-looking climate data. The more accurately insurers can assess the risk of a given area, the more they can adjust their pricing to reflect that risk. CSIS mandates that catastrophe models be based on the best available scientific information, as assessed by the Commissioner, to evaluate frequency, severity, damage, and loss.[231] These catastrophe models can help insurance companies more adequately assess and price risk.

While concerns about the algorithms behind these models informing rate hikes may make policyholders hesitant, increased market competition could lead

229. Press Release, Farmers Ins., Recognizing an Improved Insurance Marketplace in California, Farmers Insurance to Expand Its Coverage Options in the State (Dec. 11, 2024), https://newsroom.farmers.com/2024-12-11-Recognizing-an-Improved-Insurance-Marketplace-in-California,-Farmers-Insurance-R-to-Expand-Its-Coverage-Options-in-the-State.

230. *Id.*

231. CAL. CODE REGS. tit. 10, § 2644.4.5(f)(1) (2024).

to greater accuracy in the models and potentially lower prices over time.[232] Additionally, the ability to pass reinsurance costs onto consumers will further help insurers profit from selling policies in California again. Commissioner Lara has stated that CSIS will prioritize availability over affordability.[233] The plan's focus on increasing the availability of insurance will allow some Californians to access coverage.[234]

2. *Risk Models Incorporate Wildfire Prevention Efforts into Risk Assessment*

A second benefit of CSIS is that it requires insurer wildfire catastrophe models to incorporate wildfire mitigation efforts into their risk assessments, ensuring that premiums accurately reflect the level of risk a property or community faces.[235] By requiring insurers to account for actions like the creation of a fuel break, a swath of land that does not contain any source of fuel for fires, or the use of fire-resistant construction materials, the regulation incentivizes homeowners and communities to invest in risk reduction strategies.[236] Properties and areas that have actively reduced their wildfire risk can potentially be priced lower, rewarding those who take steps to make their homes and surroundings safer from fires.[237] Incorporating mitigation efforts not only helps reduce insurance costs but also enhances community preparedness, which can ultimately save lives.[238] Additionally, while CSIS does not require insurers to base their wildfire catastrophe models off of the same data, it does require insurers to use the best available scientific data on wildfire risk mitigation.[239] This includes data at the property, community, and landscape levels, including risk mitigation initiated by local and regional utility companies.[240] By using the latest research and technology, insurers will have a clearer understanding of where mitigation efforts have been effective and how they contribute to reducing risk.[241] These advanced risk models better equip

232. Consumer Watchdog, a consumer protection organization, has criticized the use of private catastrophe models, claiming they are inconsistent and unreliable. They highlight the necessity for public scrutiny and transparency, particularly before these models are used for rate increases. Kenneth Araullo, *Consumer Watchdog Calls for Transparency in California*, INS. BUS., (Mar. 15, 2024), https://www.insurancebusinessmag.com/us/news/catastrophe/consumer-watchdog-calls-for-transparency-in-california-481414.aspx.

233. Susanne Sclafane, *No Sugarcoating: Availability Before Affordability, California Regulator Says*, INS. J. (Feb. 5, 2024), https://www.insurancejournal.com/magazines/mag-features/2024/02/05/759033.htm.

234. *Id.*

235. CAL. CODE REGS. tit. 10, § 2644.4.5(f)(4) (2024).

236. *See Wildfires*, READY (July 10, 2025), https://www.ready.gov/wildfires.

237. Press Release, Cal. Dep't of Ins., Commissioner Lara Takes Major Step to Increase Insurance Availability in Wildfire-Distressed Areas (Nov. 14, 2024), https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release057-2024.cfm.

238. *Community Wildfire Prevention and Mitigation*, CAL. NAT. RES. AGENCY, https://resources.ca.gov/Initiatives/Community-Wildfire-Prevention-and-Mitigation (last visited Aug. 3, 2025).

239. CAL. CODE REGS. tit. 10, § 2644.4.5(f)(4) (2024).

240. *Id.*

241. Cal. Dep't. of Ins., *supra* note 156.

insurance companies to assess the true risk of properties in wildfire-prone areas.[242] As a result, homeowners and communities will have greater incentives to invest in fire prevention, knowing that their efforts will lead to both safer properties and lower insurance costs.

3. *CSIS Encourages Fireproofing of Individual Homes*

Third, CSIS provides a separate price reduction for individuals who fireproof their homes.[243] Insurance companies are mandated to recognize and reward wildfire safety and mitigation efforts made by homeowners and businesses.[244] These mitigation efforts must be reflected in policy prices; however, the specific process that individual insurers go through to verify mitigation measures and apply these rate reductions remains unclear.[245] Insurance companies must submit to the state new rates that recognize the benefit of safety measures like upgraded roofs and windows, defensible spaces, and memberships in community-wide fire prevention programs.[246] Many of these safety measures include low-cost and do-it-yourself projects, such as removing combustible materials five feet from a house or installing ember-resistant vents.[247] CSIS further requires insurers to provide consumers with a wildfire risk score, which will be correlated with their rates, and allows consumers to appeal that score.[248] The regulation aims to promote fire prevention work and raise awareness of the benefits of fireproofing homes and businesses.[249] Thus, CSIS gives Californians more autonomy in determining their rates and provides an incentive for individuals to ensure their homes are more protected from wildfires.

Overall, CSIS is a step in the right direction to reform California's insurance market. The plan creates a more flexible regulatory environment. This offers Californians greater access to private insurance options. Additionally, the plan incentivizes community-level fire prevention by incorporating risk reduction activities into catastrophe models. Homeowners also stand to benefit from reduced premiums if they take proactive steps to fireproof their homes. However, there are many additional strategies that can be implemented to further pave the path for a more stable insurance market.

B. ADDITIONAL CONSUMER-FOCUSED SOLUTIONS FOR CALIFORNIA'S

242. *Id.*
243. *Id.*
244. CAL. CODE REGS. tit. 10, § 2644.9(d)(1)(B) (2024).
245. *Id.* § 2644.9(d).
246. *Id.* § 2644.9(d)(1)(B).
247. *Id.*
248. *Id.* § 2644.9(h).
249. *See Safer from Wildfires*, CAL. DEP'T. OF INS., https://www.insurance.ca.gov/01-consumers/200-wrr/Safer-from-Wildfires.cfm (last visited Aug. 3, 2025).

SUSTAINABLE INSURANCE STRATEGY

While CSIS will attract insurers back to the state, it does not adequately protect consumers. There are a range of consumer-focused solutions that, when combined with CSIS, could help protect residents and lead to comprehensive reformation of the state's insurance market. These solutions specifically target the factors that contribute to the extreme financial losses caused by wildfires.

1. Increase Financial Incentives for Policyholders to Fireproof Their Homes

Increasing financial incentives for homeowners to fire-proof their properties could significantly reduce the overall wildfire risk in California.[250] As the cost of insuring properties in wildfire-prone areas continues to rise, homeowners will inevitably face higher premiums.[251] However, by taking steps to mitigate these risks, such as employing home hardening techniques, policyholders could see their insurance premiums decrease, reflecting the reduced risk they present to insurers.

Home hardening, which involves using fire-resistant materials and preventing embers from entering the home, is a proven method to reduce wildfire risk.[252] Retrofitting older homes, especially those built before the mid-1990s, would further help protect residents and reduce insurance costs.[253] The state's housing stock includes many older homes that are highly susceptible to fire, and as the risk of wildfire increases, these homes must be updated to meet modern safety standards.[254]

Homes built after 2008 are designed with wildfire resilience in mind, making newer properties more likely to withstand wildfires.[255] However, constructing a home with optimal wildfire resistance comes at a cost, with wildfire-resistant features adding roughly two to thirteen percent to the overall price of a new home.[256] For older homes, significant expensive investments in retrofitting are required.[257] These costs raise the question: who should bear the financial responsibility for these upgrades?

250. *Ignition-Resistant Homes*, WILDFIRE RISK TO CMTYS., https://wildfirerisk.org/reduce-risk/ignition-resistant-homes (last visited Aug. 3, 2025).

251. Rosalsky, *supra* note 66.

252. Lisa Dale & Kimiko Barrett, *Missing the Mark: Effectiveness and Funding in Community Wildfire Risk Reduction*, HEADWATERS ECON., https://headwaterseconomics.org/natural-hazards/missing-the-mark-wildfire (last visited Aug. 3, 2025).

253. Rosalsky, *supra* note 66.

254. *Id.*

255. Patrick W. Baylis & Judson Boomhower, *Mandated vs. Voluntary Adaptation to Natural Disasters: The Case of U.S. Wildfires* 8–9 (Nat'l Bureau of Econ. Rsch., Working Paper No. 29621, 2021), https://www.nber.org/papers/w29621.

256. Kimiko Barrett, Stephen Quarles & Daniel Gorham, *Construction Costs for a Wildfire Resistant Home: California Edition*, HEADWATERS ECON. (July 27, 2022), https://headwaterseconomics.org/natural-hazards/wildfire-resistant-costs-california.

257. Baylis & Boomhower, *supra* note 255.

Homeowners living in areas most vulnerable to wildfires will bear more of the financial burden moving forward, as insurance companies will no longer shoulder the full cost of these escalating risks alone.[258] While CSIS provides an option to lower premiums by fire-proofing homes, the exact effect of these measures on policy prices remains unclear. Therefore, additional incentives are needed to encourage homeowners to make the sometimes costly upgrades necessary for fireproofing their homes.

A few potential solutions have been proposed. First, tax incentives could be offered to homeowners who harden their homes. In Florida, for example, state senator Blaise Ingoglia has proposed tax incentives for homeowners who make their properties more resilient to hurricanes and flooding.[259] Similarly, California offers fire-safe home tax credits that cover fifty percent of qualified costs for home hardening, up to $10,000.[260] However, further tax relief could be considered, such as freezing property taxes in high- or very-high-severity zones for two to five years to further incentivize retrofitting.

Second, a statutory requirement could be introduced, mandating electric utilities in California to assist with wildfire mitigation efforts in homes belonging to low-income ratepayers. In exchange for this assistance, utilities would be eligible for wildfire relief funds provided by Assembly Bill 1054, which established a wildfire liability fund.[261] This initiative would be funded by a surcharge on all electricity users, making it a more equitable approach to addressing wildfire risk while reducing the financial burden on individual homeowners.[262]

Finally, new home loan programs could be introduced to facilitate upgrades to California's aging housing stock.[263] These loans would make it more feasible for homeowners to invest in fireproofing their homes, helping to make them more resilient to wildfires and ultimately reducing the risk insurers face. Financial institutions would likely find this a worthwhile investment, as homes that are safer and more fire-resistant present a lower risk, and thus, safer collateral for lending.[264]

These strategies, when paired with additional solutions, could significantly lower the financial impact of wildfires on both homeowners and the insurance industry, providing an opportunity to stabilize the shaky insurance market.

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258. Rosalsky, *supra* note 66.

259. Giulia Carbonaro, *How Florida Could Solve Its Insurance Crisis in 2025*, NEWSWEEK (Jan. 7, 2025, 2:18 PM EST), https://www.newsweek.com/how-florida-could-solve-its-insurance-crisis-2025-2010791.

260. CAL. FRANCHISE TAX BD., ANALYSIS OF AMENDED BILL: FIRE SAFE HOME TAX CREDITS 2 (2019), https://www.ftb.ca.gov/tax-pros/law/legislation/2019-2020/SB295-081919.pdf.

261. MacKenzie Thurman, *Fighting Fire with Fire-Hardened Homes: The Role of Electric Utilities in Residential Wildfire Mitigation*, 122 COLUM. L. REV. 1055, 1057 (2022).

262. *Id.*

263. Rosalski, *supra* note 66.

264. *Id.*

2. *Increase Wildfire Preparedness Education*

Insurance companies have a vested interest in preventing damage to policyholders, as it ultimately helps them lower the cost of claims.[265] By actively engaging with customers and promoting measures that prevent risks, insurers generate a positive externality.[266] In California, insurers can engage with clients to raise risk awareness and promote the adoption of effective mitigation measures.[267] Insurance companies can train employees to provide comprehensive risk counseling services and promote risk awareness.[268] Encouraging a company-wide policy of risk counseling and training would help increase wildfire preparedness and could benefit a company's reputation by building rapport with policyholders.[269] Insurers could make this risk counseling mandatory before granting insurance policies.[270] The information can help homeowners understand the risk they are taking in buying a home in a risky area.

Insurers can also develop training or curriculum for individual communities and release this to the public to make them more aware of wildfire risk in their area. Working in collaboration with local fire departments, each specific area would have a tailored wildfire educational curriculum and pre-wildfire evacuation plan.[271]

Additionally, public outreach and events could also raise awareness of wildfire risk, and help communities prepare better for these disasters. Research indicates that well-designed disaster awareness programs can be successful in increasing knowledge about disaster risks, promoting preparedness behaviors, and ultimately reducing the impact of disasters, especially when combined with community engagement.[272] For example, a study involving the disaster preparedness of students found that university curriculum and emergency procedures had a positive effect on the impacts of disaster preparedness of students.[273]

Wildfire preparedness education can help protect consumers and insurance companies by preventing damage and limiting the cost of claims insurers will

265. Simon Sølvsten & Brooks Alexandra Kaiser, *Loss Prevention Technologies' Effect on Property Damage Cost and Financial Savings: Evidence from Danish Municipalities*, 27 J. RISK MGMT. & INS. 57, 58 (2023).

266. KAI-UWE SHANZ ET AL., THE GENEVA ASS'N, THE VALUE OF INSURANCE IN A CHANGING RISK LANDSCAPE 29 (2023).

267. Lorenzo Fantini, Blaisiane Blanchard, Sebastian Rath, Philippe Removille, Simone Schwemer & Frederik Mayeres, *An Insurance Risk Framework for Climate Adaptation*, BCG 3 (Dec. 4, 2023), https://web-assets.bcg.com/pdf-src/prod-live/an-insurance-risk-framework-for-climate-adaptation.pdf.

268. *Id.* at 6.

269. *See id.* at 3.

270. *See id.* at 5.

271. *See, e.g.*, *Prepare Your Family*, CAL FIRE, https://readyforwildfire.org/prepare-for-wildfire/prepare-your-family (last visited Aug. 5, 2025).

272. Ronik Ketankumar Patel, Apurva Pamidimukkala, Sharareh Kermanshachi & Roya Etminani-Ghasrodashti, *Disaster Preparedness and Awareness Among University Students: A Structural Equation Analysis*, INT'L J. ENV'T RSCH. & PUB. HEALTH, Mar. 2023, at 1, 5–6.

273. *Id.* at 11.

have to pay. While this education can help homeowners protect their homes, it can also help Californians prepare for disaster and help to save human lives.

3. *Build Back Better Communities*

After wildfires devastate communities, as seen with the 2025 Los Angeles fires, policymakers face the difficult decision of whether to rebuild as usual or redesign neighborhoods to be more resilient to future disasters. Building back better refers to the process of going beyond restoring what was lost and actively improving communities to make them more resistant to future disasters, such as wildfires.[274] This approach addresses physical, social, and environmental vulnerabilities, creating more resilient communities in the aftermath of a disaster.[275] Recovery can be costly, burdensome, and emotionally exhausting, but it can also be seen as an opportunity to reduce wildfire vulnerability and support housing supply.[276]

A key part of the building back better strategy is adopting sustainable land use practices that reduce the risk of wildfire spread.[277] For example, spacing homes further apart lowers the chances of embers traveling from one house to another and creating buffer zones, such as roads or areas with nonflammable vegetation, that can slow down the spread of fires.[278] Planting native species such as succulents or sage near residential areas in Southern California can also reduce wildfire risk.[279] Landscaping individual yards with fire-resistant plants and maintaining a fifteen-foot space between vegetation with fire-resistant materials like gravel, concrete, or paved walkways instead of mulch can further mitigate fire risk.[280]

In terms of building materials, new construction can use fire-resistant options like brick, stone, or concrete to reduce the risk of homes burning.[281] Homes with wood siding and fences are more susceptible to fires, so avoiding them and installing dual-pane windows and sprinkler systems can also boost fire resistance.[282]

Many of these strategies are already incorporated into California's Fire Code, which went into effect in 2008.[283] Homes constructed according to these

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274. *Building Back Better in Post-Disaster Recovery*, GLOB. FACILITY FOR DISASTER REDUCTION & RECOVERY 2 (Sept. 2017), https://www.gfdrr.org/sites/default/files/2017-09/Building%20Back%20Better%20Guidance%20Note_0.pdf.

275. *Id.*

276. CHAPPLE ET AL., *supra* note 25, at 1.

277. Aria Bendix & Denise Chow, *California Leaders Promise a Quick Rebuild, but that May Put Homes at Risk of Fire Again*, NBC NEWS (Jan. 22, 2025, at 9:03 AM PST), https://www.nbcnews.com/science/environment/california-fires-rebuild-quickly-could-put-homes-at-risk-rcna188004.

278. *Id.*

279. *Id.*

280. *Id.*

281. *Id.*

282. *Id.*

283. *Id.*

updated codes are already considered more fire resistant.[284] Homeowners can even take additional steps such as using more metal in construction or adding concrete perimeter walls to further reduce fire risk.[285] Additionally, if cities and the state invest in infrastructure such as underground electricity grids and improved water systems for firefighting, they can enhance community resilience.[286]

The most significant safety and climate benefits, however, would come from reconfiguring communities that have burned to minimize development in areas with the highest risk of wildfire.[287] For example, development along hillsides and dense brush should try to be avoided.[288] One effective way to reconfigure communities to reduce risk includes managed retreat.[289] Managed retreat occurs when some disaster survivors choose or are incentivized to move to lower-risk areas, while at the same time increasing urban density.[290]

One way to relocate residents to lower risk areas without radically changing the character of existing neighborhoods is through the construction of denser housing, such as duplexes and four-plexes, located in the same communities but away from areas along hillsides and dense brush.[291] Legal agreements that limit development, such as urban growth boundaries and conservation easements, are tools that can protect these environmentally valuable lands while also reducing costs of wildfire disasters.[292] California could also adopt policies like transfers of development rights, which allow homeowners in high-risk areas to transfer development rights to lower-risk zones to incentivize relocation.[293] Combining this with homeowner buyouts and conservation easements can lead to resilience and reduce overall risks.[294] The state could also increase urban housing by increasing infill development, the process of building on vacant or underutilized land within existing urban areas, which would help alleviate California's housing shortage, direct more development to lower-risk areas, and promote economic growth.[295]

The managed retreat approach is not without its own challenges. Managed retreat can cause significant social disruption within communities, further opportunities for economic inequalities, present challenges in finding suitable relocation options, and displace many from their established neighborhoods and

284. *Id.*
285. *Id.*
286. Rosalsky, *supra* note 66.
287. CHAPPLE ET AL., *supra* note 25, at 18.
288. Bendix & Chow, *supra* note 277.
289. CHAPPLE ET AL., *supra* note 25, at 18.
290. *Id.* at 45.
291. *Id.* at 11, 18.
292. *Id.* at 2.
293. *Id.* at 47.
294. *Id.* at 7.
295. *Id.* at 2.

communities.[296] For these reasons, previous attempts to manage retreat in California have faced harsh political and community pushback.[297]

While the managed retreat approach may not be realistic in practice, it is important to continue pushing for safer zoning and stringent building codes during the rebuilding process. Although immediate rebuilding may be pushed by displaced residents seeking to return to their communities, it is essential to resist cutting corners in the construction process to ensure that future fire risks are minimized. For example, in response to the urgency of rebuilding after LA wildfires, Governor Gavin Newsom signed a $2.5 billion relief package aimed at accelerating the recovery and rebuilding process after the recent fires.[298] The package includes an executive order to streamline rebuilding efforts by suspending certain permitting and review requirements under the California Environmental Quality Act and the California Coastal Act.[299] This package raises concerns about whether this rapid rebuild will enforce more wildfire-resistant building codes and implement sustainable land use practices in an area with a high likelihood of future wildfires.[300]

Ultimately, addressing California's escalating wildfire risk requires large-scale cooperation, coordination, and political mobilization. By focusing on rebuilding communities in ways that reduce future wildfire vulnerability, California can increase their housing supply and also bolster resilience.[301] While managed retreat may not always be a realistic solution, ensuring that homes are built to current building standards with fire-resistant materials could go a long way in reducing future wildfire risks.[302] Furthermore, as residents reconsider living in high-risk areas, they may choose to relocate to more urbanized, less hazardous areas. Ultimately rebuilding offers an opportunity to reassess and improve how communities can better withstand the inevitable next wildfire.

By taking a building back better approach, California can rebuild neighborhoods that are more resilient to future fires. As the state works to strengthen its insurance market, the rebuilt properties in high-risk areas like Los Angeles will be better protected, more insurable, and potentially increase in value after fires, like years prior to the devastation.

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296. Craig Miller, *When It Comes to Wildfire Solutions, Relocating Communities Is a Tough Sell*, KQED (Aug. 5, 2019), https://www.kqed.org/science/1945874/when-it-comes-to-wildfire-solutions-relocating-communities-is-a-tough-sell.

297. Jake Bittle*, As California Attempts a 'Managed Retreat,' Coastal Homeowners Sue to Stay*, GRIST (May 10, 2023), https://grist.org/housing/california-managed-retreat-half-moon-bay-coastal-commission/.

298. Press Release, Governor Gavin Newsom, Governor Gavin Newsom Signs $2.5 Billion Bipartisan Relief Package to Help Los Angeles Recover and Rebuild Faster from Firestorm (Jan. 23, 2025), https://www.gov.ca.gov/2025/01/23/governor-newsom-signs-2-5-billion-bipartisan-relief-package-to-help-los-angeles-recover-and-rebuild-faster-from-firestorm.

299. *Id.*

300. Bendix & Chow, *supra* note 277.

301. Rosalsky, *supra* note 66.

302. *Id.*

CONCLUSION

The rising cost of homeowner's insurance in California, particularly in wildfire-prone areas, has created a severe crisis for many residents, like Francis Bischetti, who are left facing unaffordable premiums or forced to go without coverage. The devastating wildfires that have scorched the state in recent years, such as the Palisades Fire and the Camp Fire, have exposed the fragility of California's insurance market and highlighted the urgent need for a more sustainable solution. As private insurers pull out of the state, homeowners are left with few viable options, often trapped between a basic, expensive state-run plan or the danger of going uninsured.

The California Department of Insurance's Sustainable Insurance Strategy offers a significant step towards addressing these challenges. By adopting forward-looking climate models and incentivizing fireproofing measures, CSIS aims to attract insurers back to the state while promoting greater resilience in vulnerable communities. However, the CSIS's reliance on higher premiums could put a heavy financial burden on homeowners, many of which are already struggling with wildfire risk.

To build a more balanced insurance market, California must take additional steps to ensure that these reforms do not disproportionately impact consumers. This can be achieved by combining incentives for individual and community-level mitigation efforts, enhancing public education on wildfire preparedness, and upgrading homes to incorporate more stringent building codes that reduce future fire risks. By rethinking how communities are designed and rebuilt, California can build back better, reduce overall risk, and lower the cost of insurance for homeowners.

Ultimately, California's insurance crisis is not just about regulating insurance premiums, but about creating a more resilient, fire-resistant landscape for future generations. The state will continue to grapple with the growing intensity of wildfires, so there has been no better opportunity to reimagine California's current framework. Only through a comprehensive, consumer-focused approach can California rebuild its insurance market in a way that protects homeowners, supports sustainable development, and mitigates the devastating impact of future wildfires.

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