

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

June 25, 2024

FROM

DAWN ROWE, Chair and Third District Supervisor, Board of Supervisors

SUBJECT

Strengthen and Stabilize California's Marketplace for Homeowners Insurance and Commercial Property Insurance

RECOMMENDATION(S)

Adopt **Resolution No. 2024-94** requesting that the California Insurance Commissioner, State Legislature, and the Governor declare a state of emergency and take immediate emergency regulatory and legislative action to strengthen and stabilize California's marketplace for homeowners insurance and commercial property insurance.

(Presenter: Dawn Rowe, Chair and Third District Supervisor, 387-4855)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost) as the Resolution is non-financial in nature.

BACKGROUND INFORMATION

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

Last year, two of the State's largest insurance carriers, representing over 27% of the admitted insurance market in California, announced they would stop issuing new homeowners and commercial property insurance policies in California. Several others, representing more than an additional 36% of the market, announced plans to limit new policy origination.

The reduction of insurance options in the State has a direct negative effect on consumer access to coverage: in all parts of the State, homeowners, business owners, and farmers are now unable to obtain new insurance policies from the admitted insurance market. Access to insurance allows existing homeowners to protect what is for many their largest and most important asset, and empowers homebuyers to secure a mortgage for a home that can build generational wealth, but a scarcity of options may freeze real estate transactions and slow or stop the rate of new housing development, including attached dwelling units like affordable housing projects, apartments, and condominiums, exacerbating the State's critical housing shortage.

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Californians who cannot obtain coverage from the admitted market are forced to apply for protection through the California Fair Access to Insurance Requirements (FAIR) Plan, a state-established risk pool intended to operate as California’s insurer of last resort providing temporary coverage as consumers pursue insurance in the traditional market. The collapsing admitted-provider market has caused steadily increasing enrollment in the FAIR Plan over the past five years, threatening the ongoing stability of the plan, putting even this safety net at dire risk.

Policy decisions have placed Californians’ homes and businesses at risk of catastrophic loss that can only be prevented by stabilizing the homeowners insurance and commercial property insurance markets, while providing rates that remain fair and affordable to consumers, and maintaining the ongoing viability of the FAIR Plan, which provides a vital safety net to Californians whose policies are nonrenewed and to homebuyers who cannot secure a mortgage without insurance.

The California Insurance Commissioner has released draft regulations to address this immediate crisis but the Little Hoover Commission hearing on March 28, 2024, reports that reforms “will not go into effect until at least 2026, and it may take a few years after that for the market to react... this timeline, of course could be delayed further if lawsuits by any party, including insurers or consumers, were to occur.”

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

The recommended Resolution requests that the Insurance Commissioner, State Legislature, and the Governor declare a state of emergency and take immediate emergency regulatory and legislative action to strengthen and stabilize California’s marketplace for homeowners insurance and commercial property insurance.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Cynthia O’Neill, Chief Assistant County Counsel, 387-5455) on June 12, 2024; Finance (Stephanie Maldonado, 387-4378, Administrative Analyst) on June 12, 2024; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on June 12, 2024.

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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Curt Hagman Seconded: Joe Baca, Jr.
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: June 25, 2024



cc: File - Supervisors w/resolution
CCM 06/26/2024