

Insuring Against Climate-Related Disasters: A Challenge for California and the World

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& the Environment

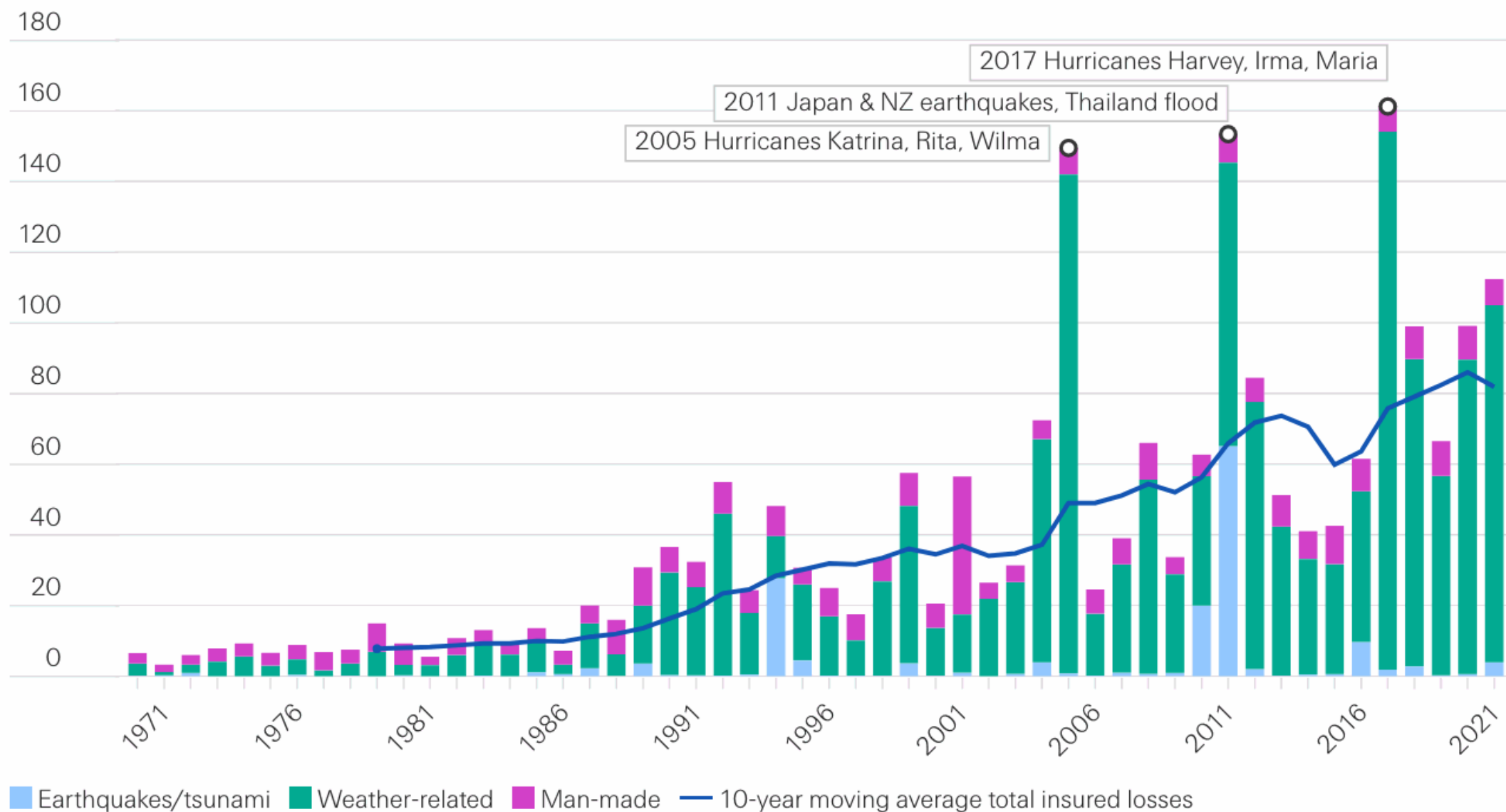
- Failure to reduce greenhouse gas emissions means temperature increase will exceed 2 degrees Celsius
- Climate change causing more severe and frequent weather-related events, which are causing more deaths, injuries, property damage/destruction, and insurance losses
- Growth of population, businesses, and increased values at risk also contributes to increased losses from climate-driven events

We are marching steadily toward an uninsurable future because we are not acting aggressively and fast enough to reduce greenhouse gas emissions.

Insured losses since 1970

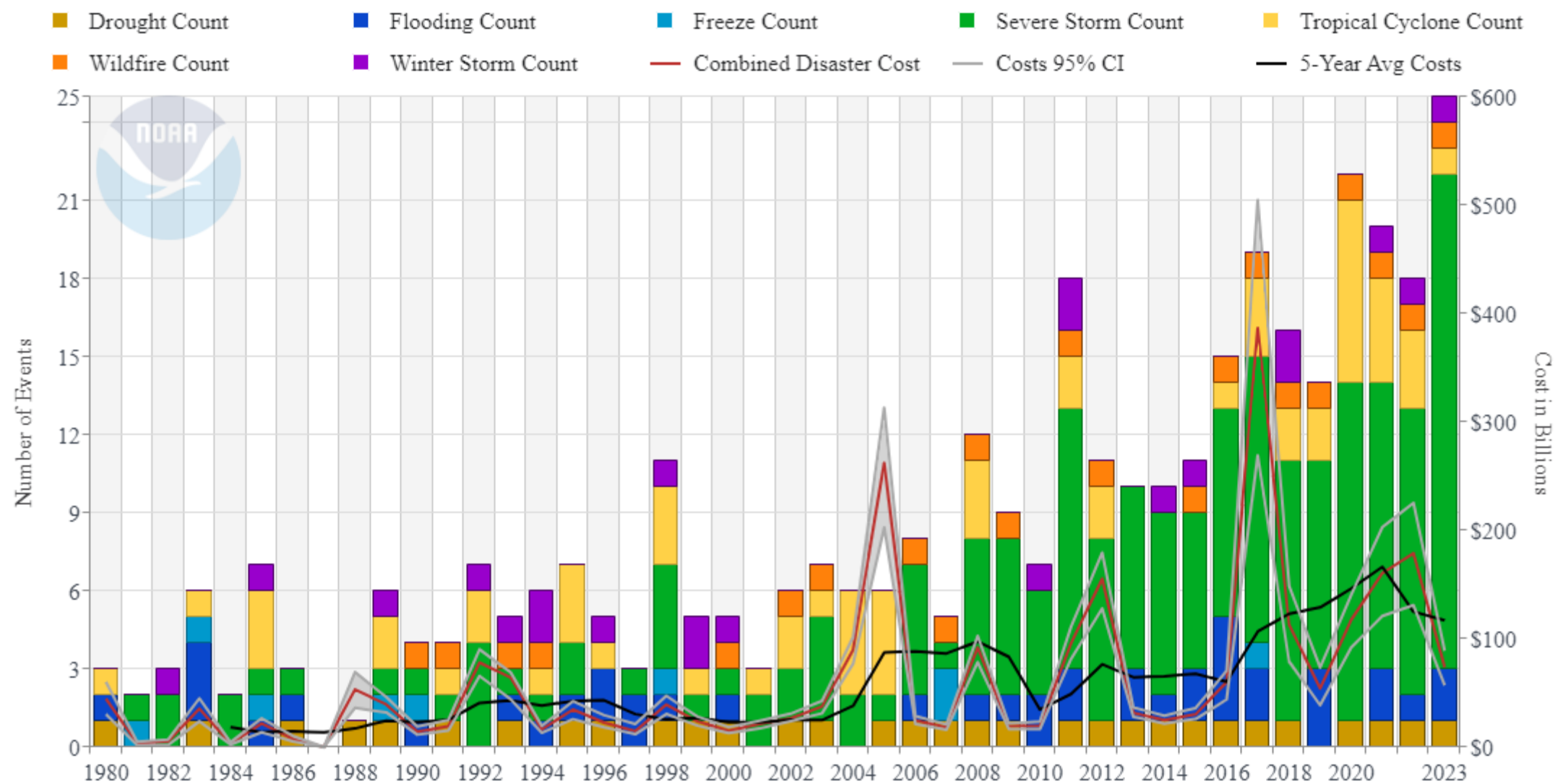
USD billion (in 2021 prices)

Rollover/touch chart for details



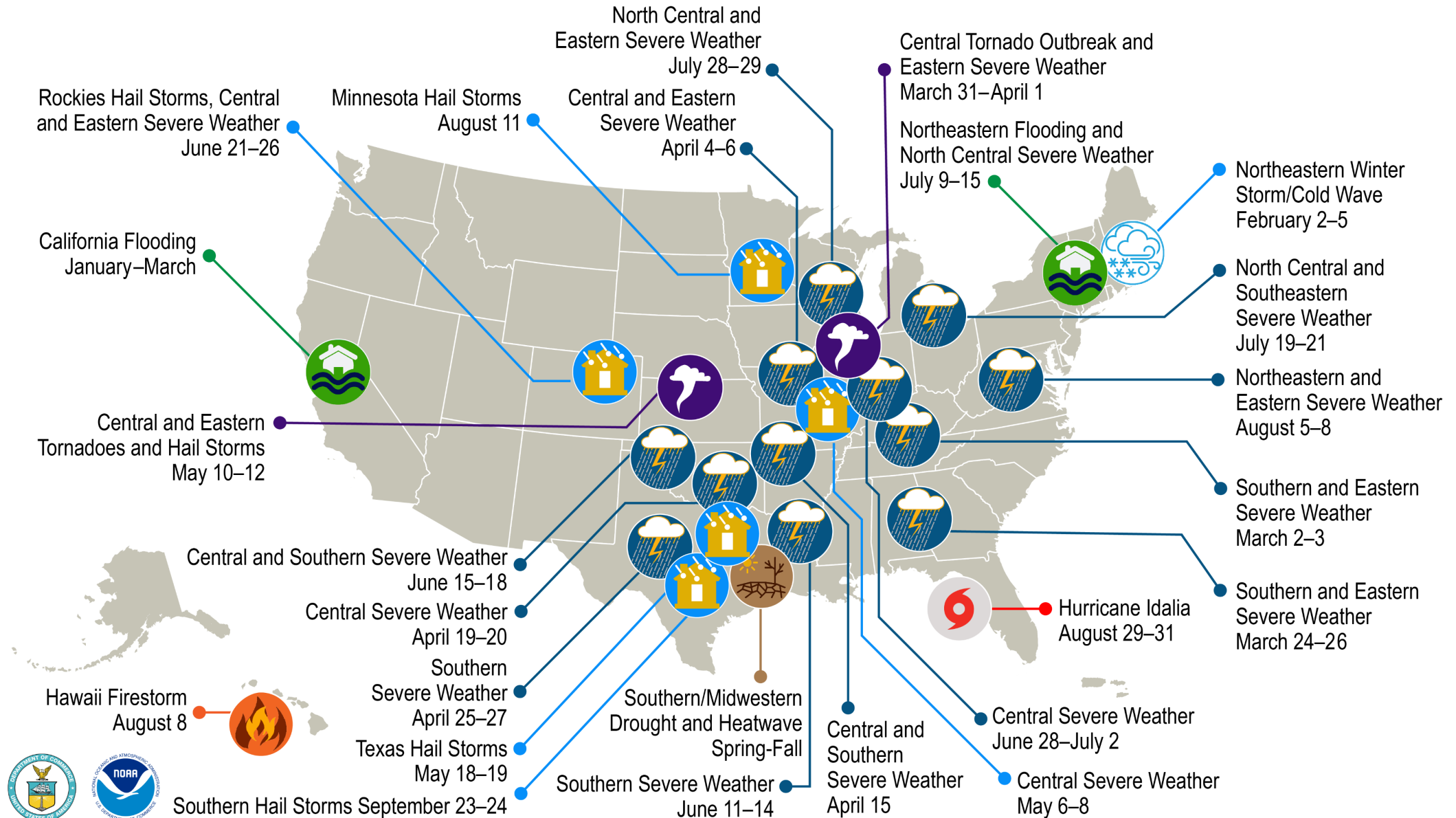
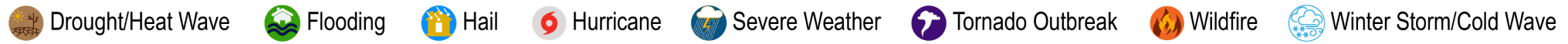
Source: Swiss Re Institute

United States Billion-Dollar Disaster Events 1980-2023 (CPI-Adjusted)



Updated: November 8, 2023

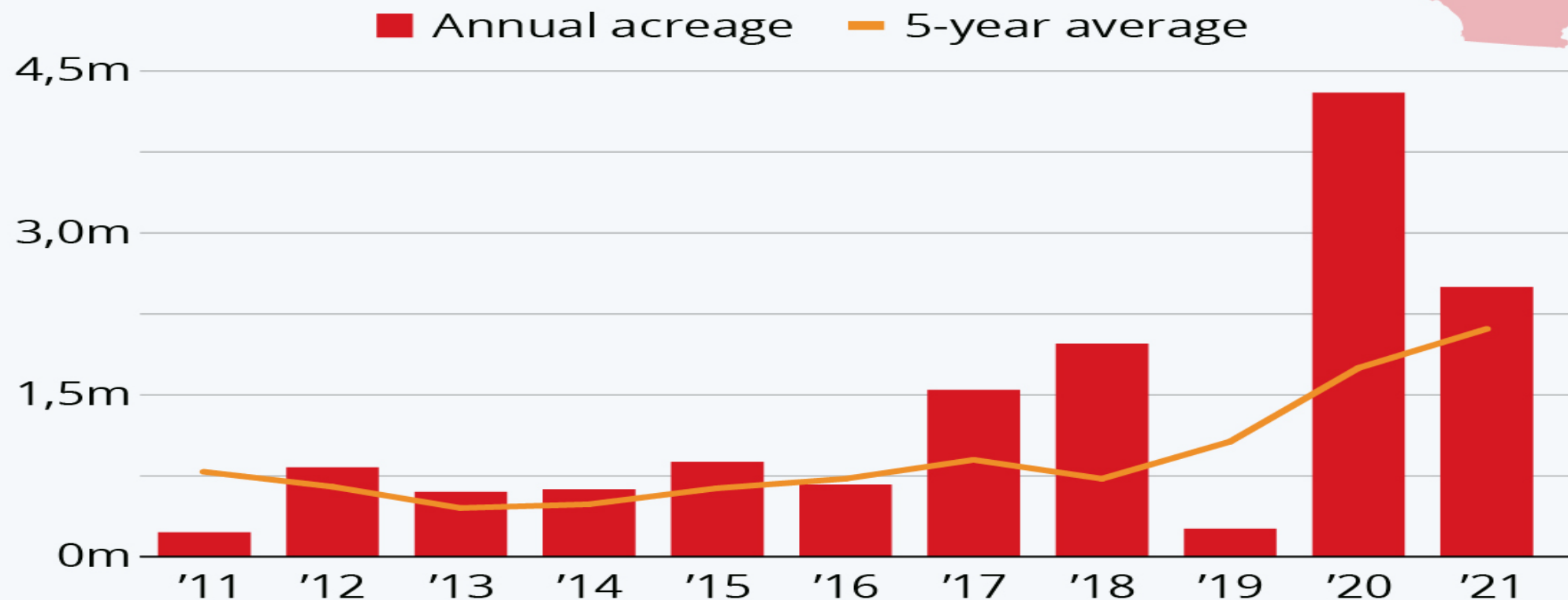
U.S. 2023 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the **25 separate billion-dollar weather and climate disasters that impacted the United States through October 2023.**

The Growing Danger of Californian Wildfires

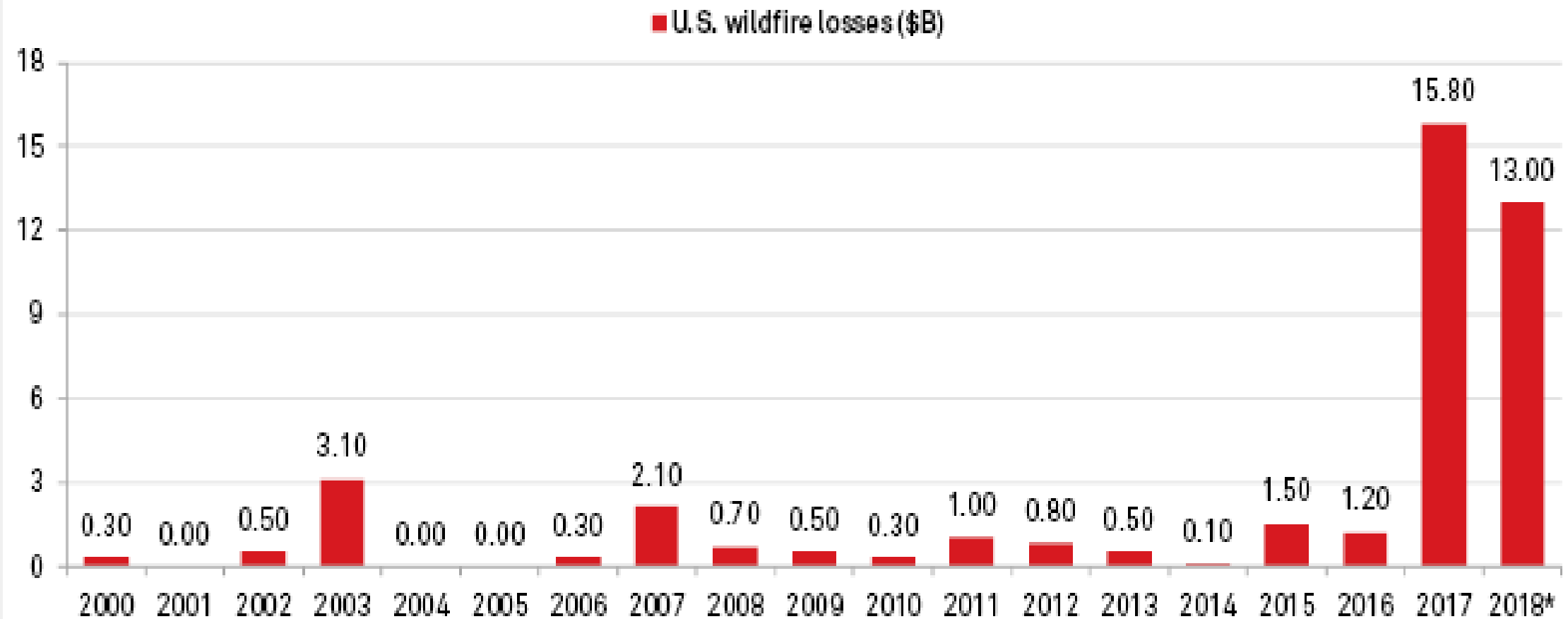
Number of acres burned
by wildfires in California



Source: Cal Fire



California wildfires drive up US insured losses in 2017, 2018 (\$B)



Data compiled Sept. 20, 2019.

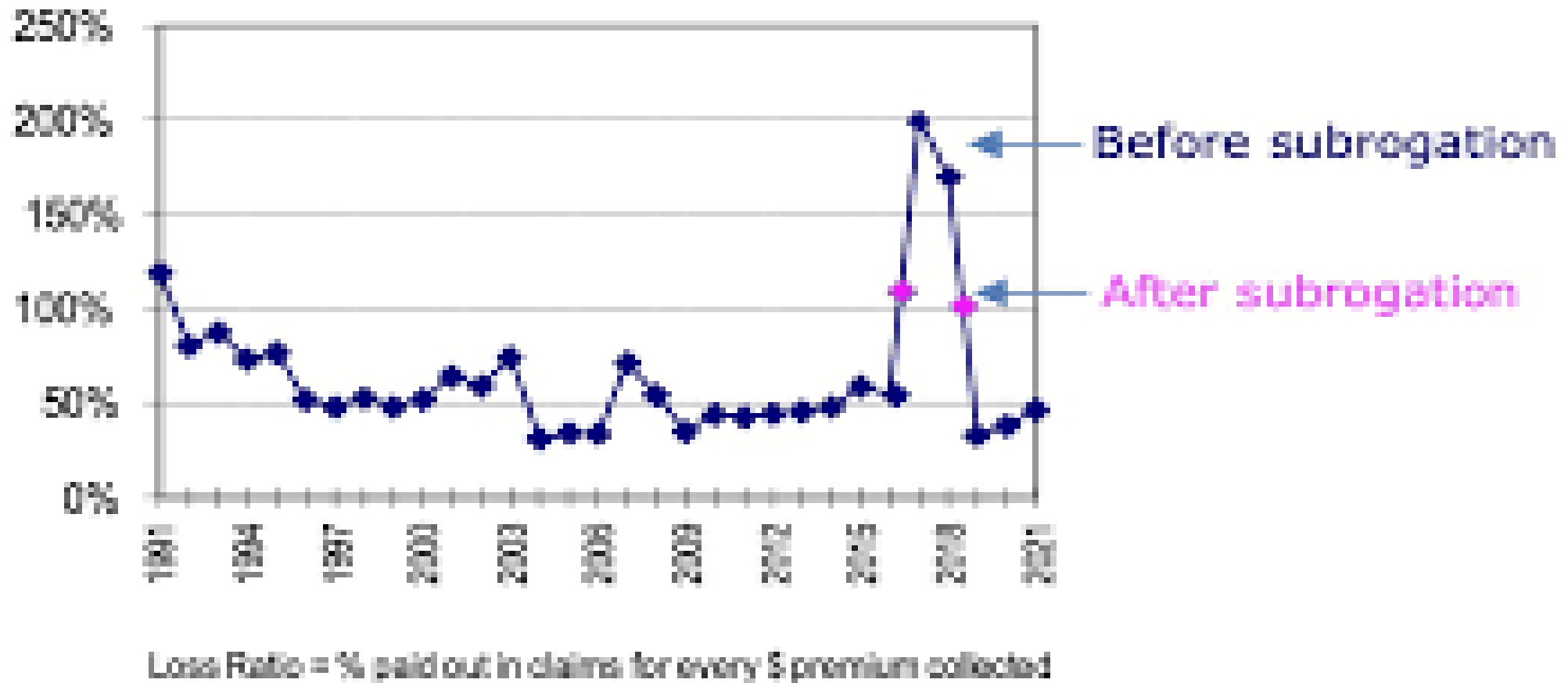
* 2018 annual wildfire insured losses are for California only and are sourced from California Department of Insurance May 8, 2019, press release.

Source: Aon PLC's Catastrophe Insights November 2018 report; California Department of Insurance press release



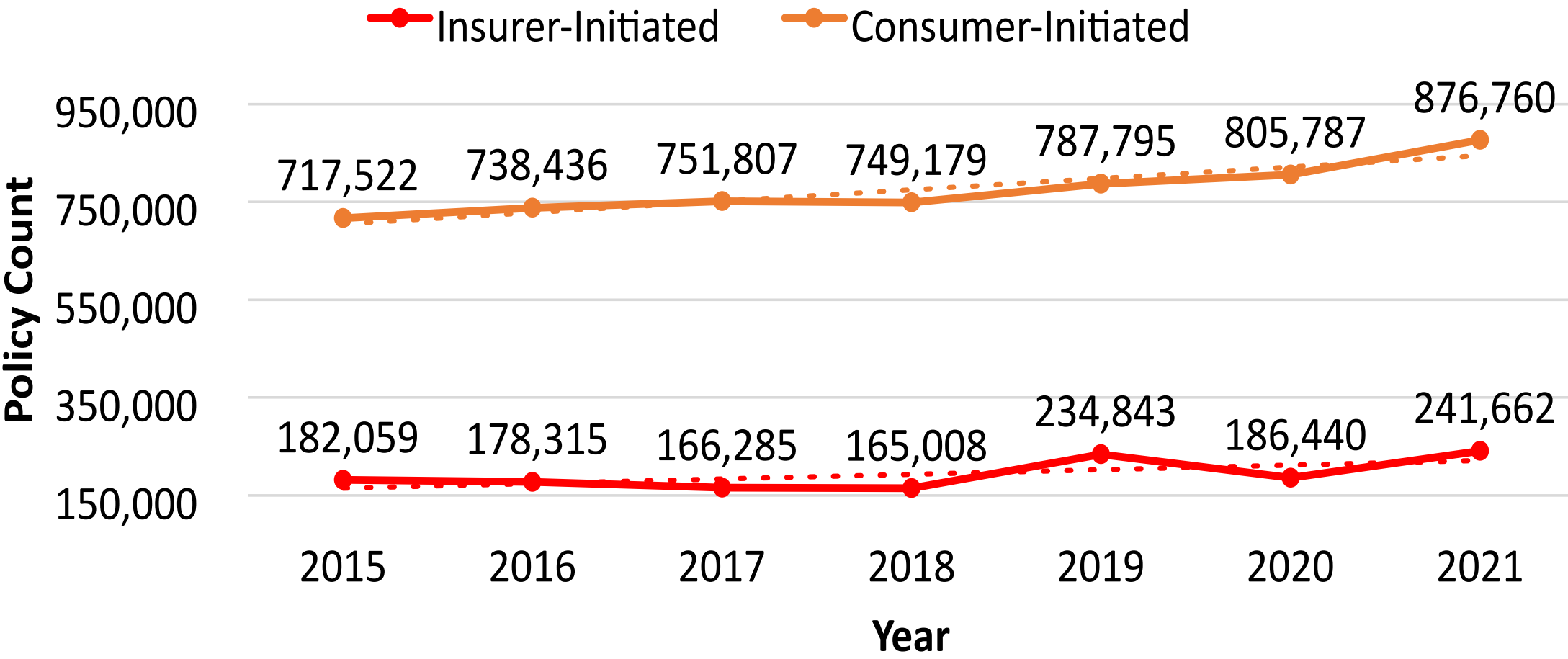
Source: Insurance Journal

CA Homeowners Multi Peril Insurance



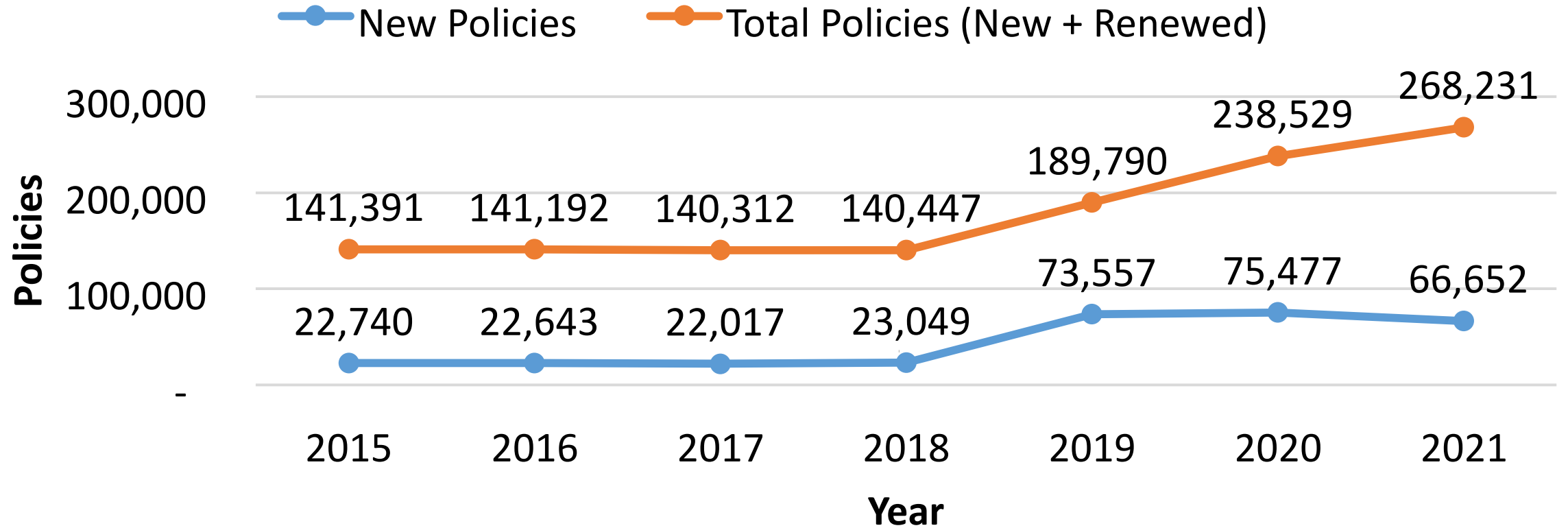
Source: Consumer Watchdog

Non-Renewals and Cancellations



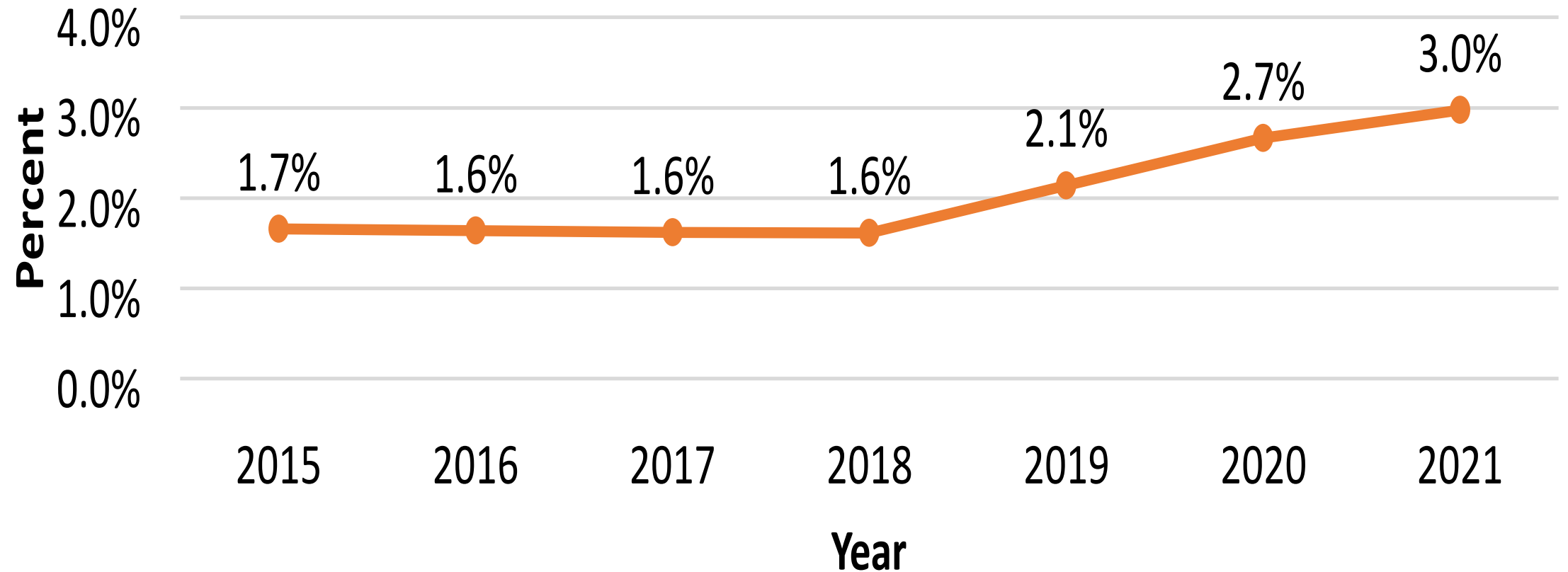
Source: California Department of Insurance

FAIR Plan Policies



Source: California Department of Insurance

Percent of FAIR Plan Policies to Total Market



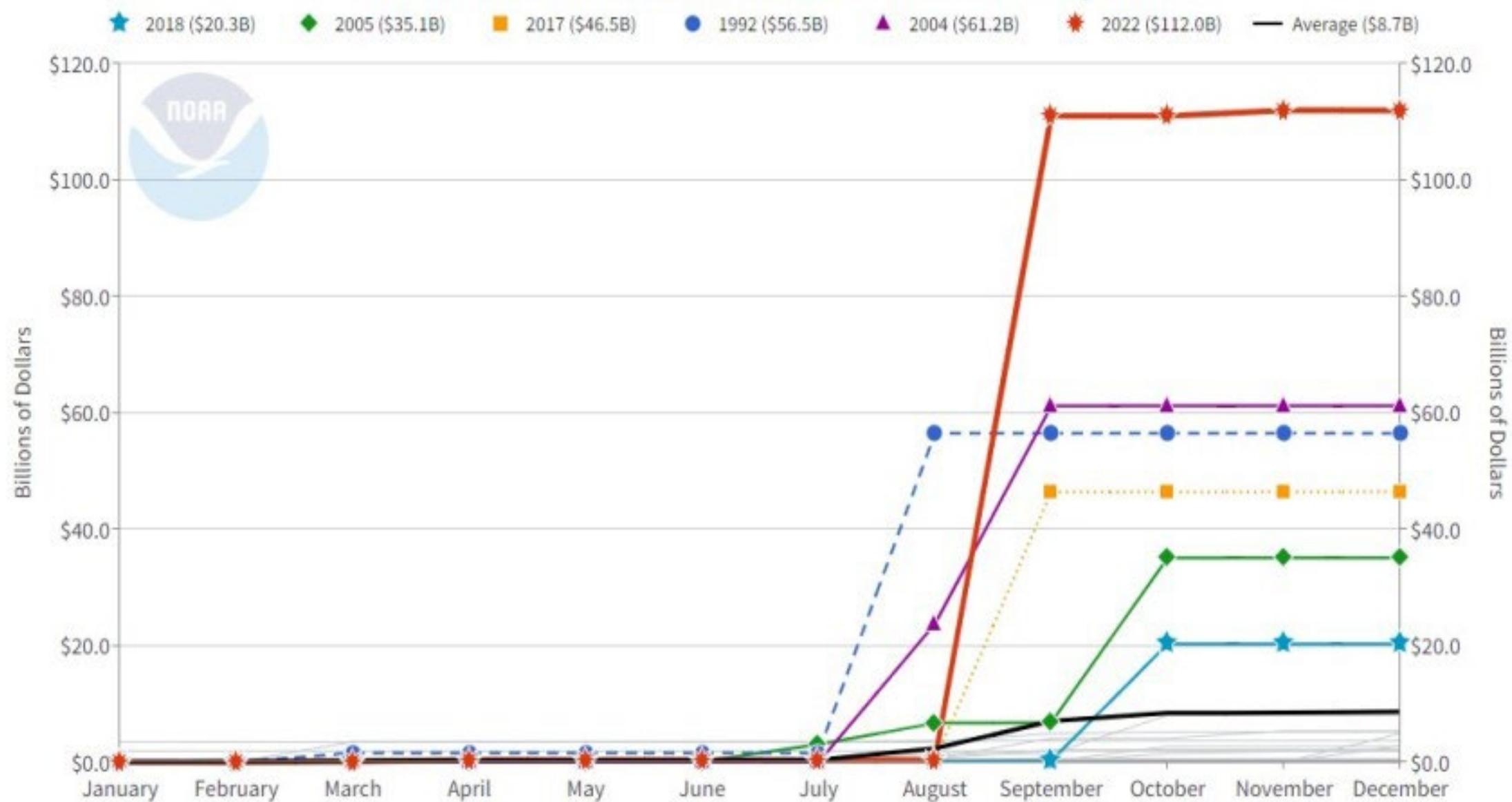
Source: California Department of Insurance

California Homeowners Insurance Combined Ratio



Source: Best's Market Share Reports, Homeowners Multi-peril

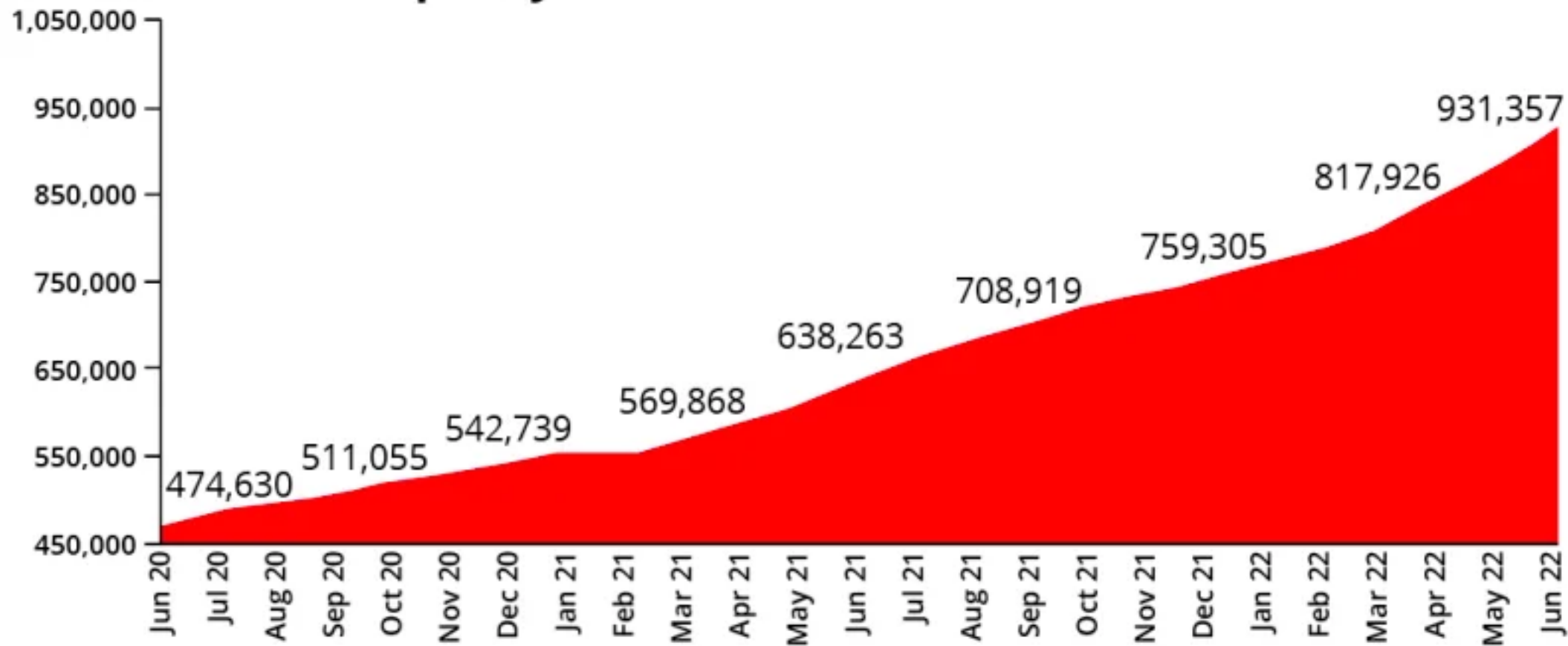
1980-2022 Florida Billion-Dollar Disaster Event Cost (CPI-Adjusted)



Updated: January 10, 2023

Event statistics are added according to the date on which they ended. Powered by ZingChart

Citizens in-force policy count



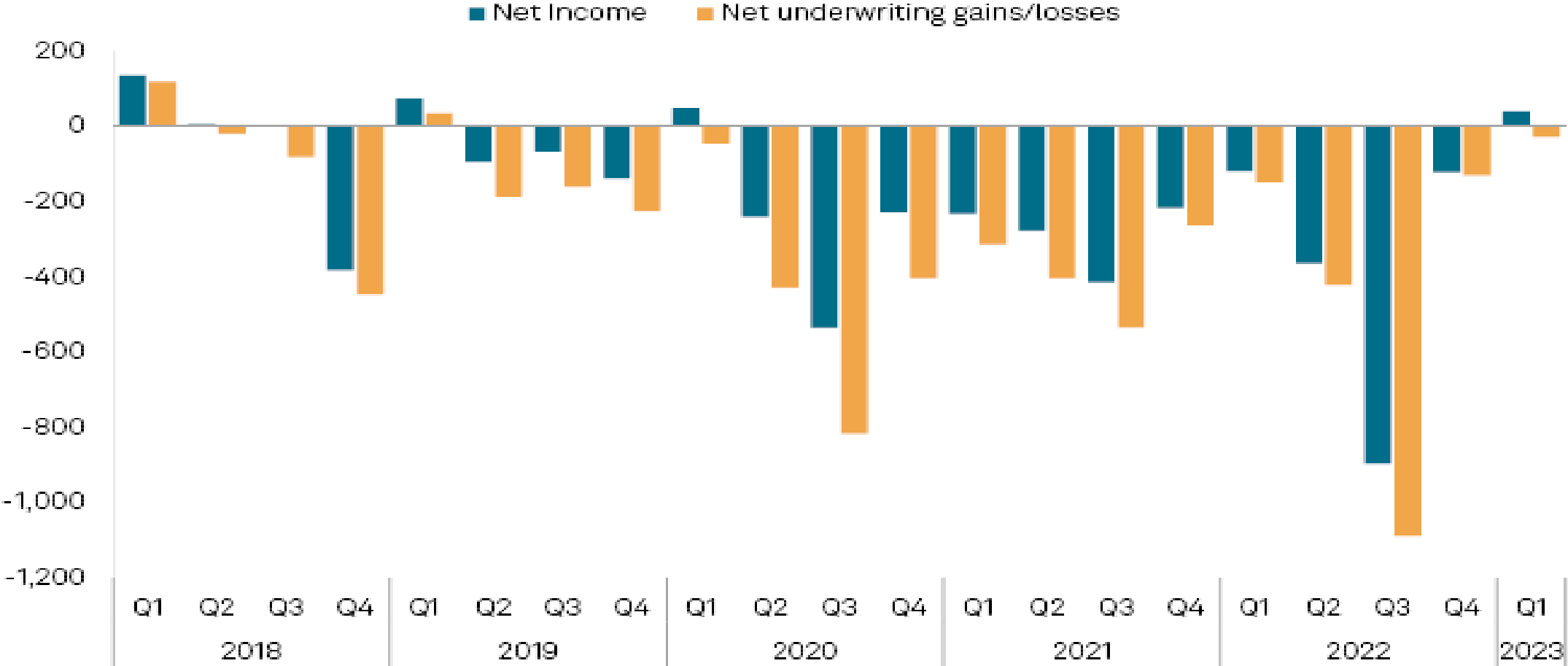
Data as of 7/8/2022

Source: Citizens

Florida Policy Responses:

- Allow Forward Looking Probabilistic Models for Pricing
- Reinsurance Costs Included in Rates
- Limit Assignment of Benefits
- Eliminate One-Way Attorney Fees
- Public Reinsurance Facility
- Florida Citizens Can Assess All FL Policyholders if Reserve Shortfall
- Rates 3x national average
- Florida Citizens Depopulation Program

Florida's residential property insurers post small quarterly profit in Q1 2023 (\$M)



Data compiled July 10, 2023.
Analysis limited to insurance subsidiaries operating in the Florida homeowners domestic market identified in a July 2021 presentation by Citizens Property Insurance Corp., plus Slide Insurance Co., Tower Hill Insurance Exchange and Loggerhead Reciprocal Interinsurance Exchange. Excludes Citizens Property Insurance Corp.
Information is sourced from the Statement of Income of the regulatory property and casualty statements filed with the National Association of Insurance Commissioners on quarterly or annual basis.
Source: S&P Global Market Intelligence.
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Some very recent improvement in FL insurance market, but:

- Insurer of last resort: 1.3 M policyholders before depopulation started
- Farmers & 5 other insurers pulling out of FL market entirely
- 15 companies stopped writing new insurance
- 7 companies insolvent
- 18 companies on DOI watch list due to financial challenges

How stop the march toward an uninsurable future in CA?

- Act faster to reduce greenhouse gas emissions
- Disincentivize or stop putting more people and businesses into harms way
- Improve/enforce building codes and land use requirements to mitigate risk
 - e.g. Home hardening, defensible space, resilient infrastructure, buffers etc.
- Invest in nature-based mitigation
 - Substantially increase forest management to decrease severe wildfire risk
 - Levee setbacks and bypasses to reduce flood risk
 - Replant salt marshes to reduce coastal flood risk

Solutions (cont.):

- Give CA Fair Plan authority to issue bonds to cover losses which exceed reserves and improve Clearinghouse Program
- Amend catastrophe factor in rate regulation to account for statewide catastrophic loss experience and consider other changes including capped reinsurance factor.
- Insurers: Stop insuring fossil fuels & stop investing \$569 B in fossil fuels
- Insurers: Underwriting models and pricing must account for landscape scale forest treatment and home hardening
- Increase CDI Funding for Faster Review of Rate Filings
- Climate Risk Stress Testing of Insurers

Forest Management: Reduces Wildfire Risk



Problem

Insurance underwriting models & rates don't account for the risk reduction benefits of forest management.





Forest Treatment

Governor's goal: 1M acres/yr

CA investment: \$2.7B

Federal investment: \$5B
(nationwide)

Local, tribal, NGO & private
efforts



Solution

Underwriting models
& rates include the risk
reduction benefits of
forest management.

Thank You.

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