



April 23, 2024

Jon Phenix, Attorney
California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 95814

RE: Catastrophe Modeling and Ratemaking—Proposed Rulemaking

Dear Mr. Phenix,

On behalf of the Rural County Representatives of California (RCRC), we offer the following comments on the California Department of Insurance (CDI) proposed rulemaking on Catastrophe Modeling and Ratemaking. RCRC is an association of forty rural California counties and the RCRC Board of Directors is comprised of elected supervisors from each member county.

In the past decade, RCRC member counties have a disproportionate percentage of residents who have had their residential property insurance nonrenewed due to wildfire risk. A large majority of our communities are in high or very high hazard severity zones and have seen both dramatic premium increases and drastic spikes in non-renewals. While many rural residents understand that higher costs for coverage will be the new standard under higher wildfire threats, many of them have had to resort to the FAIR Plan for fire insurance coverage and have been effectively priced out of California's whole-home coverage market.

We also have an acute understanding of the challenges faced by the insurance industry in California, which is suffering unprecedented levels of losses due to the state's modern wildfire patterns. RCRC is aware that California's average homeowners' insurance policy falls short of other states with similar loss profiles, while insurers see some of their highest loss ratios in our state as well as increased reinsurance costs. It is also crucial that California's admitted market open to more property owners because the FAIR Plan is alarmingly oversubscribed and could become insolvent with the next large-scale wildfire event.

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RCRC has many examples from residents in our member counties that have had their property insurance non-renewed or rates raised to unsustainable premiums regardless of the wildfire risk ratings on their parcels or in their communities. Some are being told that they simply live in the wrong ZIP code even though they have improved their parcel's fire rating to the highest standards. Most are given no recourse or path to retain their policies, regardless of their risk status. A lack of transparency in the rate and non-renewal process has been a source of frustration across our communities over the past several years.

RCRC appreciates the CDI oversight built into the proposed rulemaking on catastrophe modeling, and that required model information during the pre-application required information determination (PRID) will be available for public review. RCRC has no position on the use of catastrophe models; however, our members are steadfast that any model information used in determining rates must be available to the public so that property owners are aware of what metrics are being used to rate their parcels. Property owners often feel like they are pursuing a moving target when it comes to home retrofits and defensible space measures to reduce their fire risk. Transparency throughout the rate application process is crucial to achieving more affordable policies and ultimately depopulating the FAIR Plan.

We appreciate your consideration of our comments and look forward to continuing working with CDI on the Sustainable Insurance Strategy. Please do not hesitate to contact me at sheaton@rcrcnet.org with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Staci Heaton", written in a cursive style.

STACI HEATON
Senior Policy Advocate