



City of Arts & Innovation

City Council Memorandum

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TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 5, 2024

FROM: CITY MANAGER'S OFFICE WARDS: ALL

SUBJECT: ADOPT A RESOLUTION REQUESTING THAT THE CALIFORNIA INSURANCE COMMISSIONER, STATE LEGISLATURE, AND THE GOVERNOR TAKE EMERGENCY ACTION TO STRENGTHEN AND STABILIZE CALIFORNIA'S MARKETPLACE FOR HOMEOWNERS AND COMMERCIAL PROPERTY INSURANCE

ISSUE:

Adopt a resolution requesting that the California Insurance Commissioner, State Legislature, and the Governor take emergency action to strengthen and stabilize California's marketplace for homeowners and commercial property insurance.

RECOMMENDATIONS:

That the City Council adopt a Resolution requesting that the California Insurance Commissioner, State Legislature, and the Governor take emergency action to strengthen and stabilize California's marketplace for homeowners and commercial property insurance.

BACKGROUND:

The California Department of Insurance (CDI) is the state agency responsible for regulating the insurance industry in California and was established to protect consumers from unfair practices. The CDI is responsible for licensing insurance companies and agents, reviewing and approving insurance rates to prevent unjustified increases, and handling complaints and disputes.

In 1988, California voters passed Proposition 103, which established a framework of consumer protections aimed at ensuring that insurance rates remain fair and affordable. Prop 103 requires rate increases of more than 7% annually must be reviewed and approved by the CDI, requires historical data be used in setting future rates, and gives insurance companies the legal right to choose where they will write policies.

DISCUSSION:

Policy decisions have placed Californians' homes and businesses at risk of catastrophic loss that can only be prevented by stabilizing the insurance market, while providing rates that remain fair

and affordable for consumers. The California Insurance Commissioner has released draft regulations to address this immediate crisis, but experts expect that reforms will take years to stabilize the market. The California Insurance Commissioner has broad authority under the Insurance code to adopt emergency regulations to promote the public welfare, including adopting emergency regulations governing the rate increase approval process and to adopt emergency regulations under section 11346.1 of Government Code and section 12921.7 of the Insurance Code.

The recommended resolution (attachment) requests that the Insurance Commissioner, State Legislature, and the Governor declare a state of emergency and take immediate emergency action to strengthen and stabilize California's marketplace for homeowners and commercial property insurance. The Resolution will be sent to the Governor and Insurance Commissioner along with a letter requesting action (sponsored by Mayor Lock-Dawson).

STRATEGIC PLAN ALIGNMENT:

This item contributes to Strategic Priorities No. 2 - Community Well-Being and Goal No. 2.6 - Strengthen community preparedness for emergencies to ensure effective response and recovery.

1. **Community Trust** – Addressing the insurance crisis demonstrates the City's commitment to transparency and builds trust by actively engaging with residents on their concerns.
2. **Equity** – The proposed resolution aims to ensure equitable access to affordable insurance for all residence, particularly in high-risk communities.
3. **Fiscal Responsibility** – Stabilizing the insurance market will help residents financially by helping to prevent potential uninsured losses.
4. **Innovation** – The resolution encourages innovative approaches to insurance practices and assessment, fostering modern solutions to current challenges.
5. **Sustainability & Resiliency** – Promoting fire safety and risk mitigation enhances community sustainability and resilience, ensuring that neighborhoods can better withstand and recover from future challenges.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Krystelle Schneider, Senior Management Analyst
Approved by: Mike Futrell, City Manager
Approved as to form: Jack Liu, Interim City Attorney

Attachment: Resolution