FACT SHEET: Insurance Policy Count Data 2015-2021

Overview

This Fact Sheet includes statewide information describing the trends from 2015-2021 data of new, renewed, and non-renewed homeowners and dwelling fire policies issued by insurance companies, as well as 2015-2021 FAIR Plan policy counts, with comparisons to data from multiple years. The California Department of Insurance (Department) annually collects data on the number of new, renewed, and non-renewed policies[1] issued by insurance companies writing $5 million or more in written premium in homeowners and dwelling fire insurance lines, representing approximately 98% of the homeowners' insurance market. The Department also continues to monitor annual counts of non-renewals and annual number of California FAIR Plan policies to better understand insurance availability in the residential marketplace.

This Fact Sheet is one part of the Department's effort to provide the public with important insurance market information. The Department has collected statewide non-renewal information for the years 2015-2021. By collecting multiple years of data, the California Department of Insurance can monitor multi-year trends for insurance non-renewals and FAIR Plan policy numbers. The Appendices in this Fact Sheet also include visual aids and tables of information related to specific groups of counties. Fact Sheets from previous years and county-level nonrenewal information can be found at the Department's webpage on Data and Analysis on Wildfire and Insurance, along with additional wildfire related datasets.

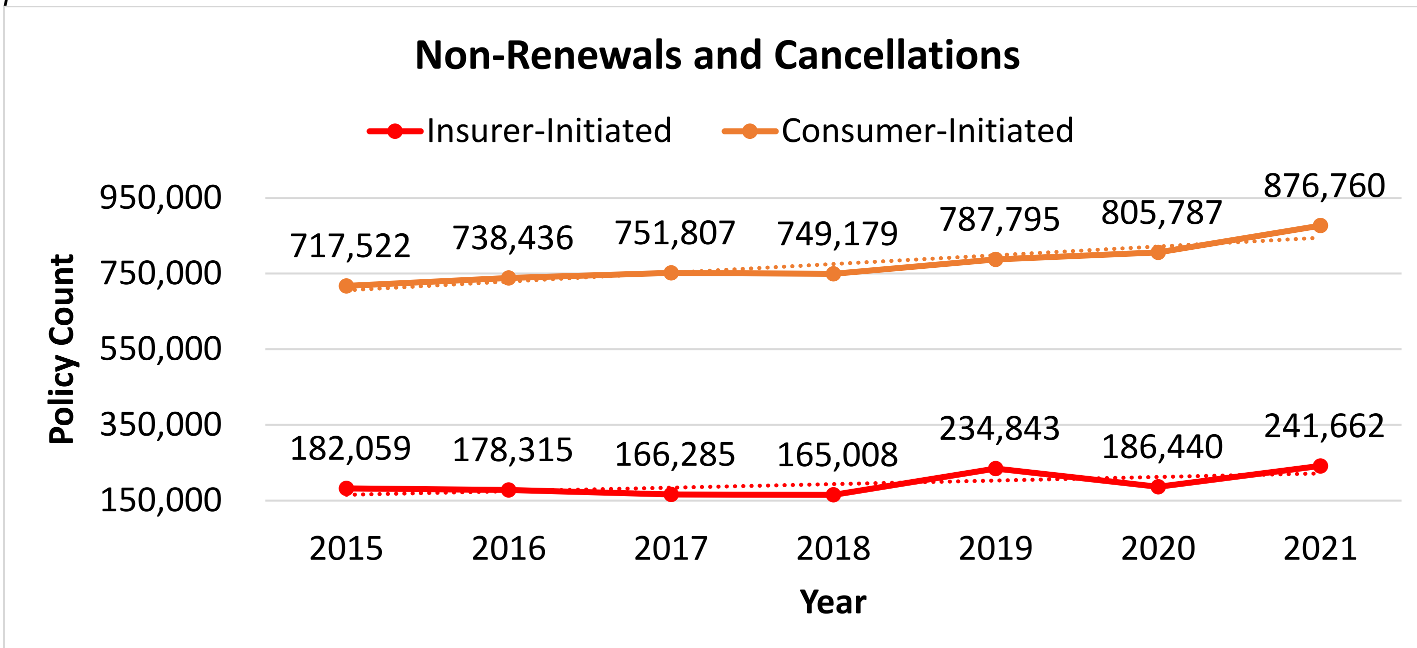
Statewide Results and Observations

1. Annual nonrenewal data for residential policies show an overall upward trend from 2015-2021, with some fluctuations for insurer-initiated non-renewals year to year

Data from 2021 show an elevated total number of non-renewed policies in the admitted insurance market when compared to the years prior to 2019 (Figure 1). Insurance company-initiated non-renewals (hereinafter "insurer-initiated") increased in 2021 after previous-year declining in 2020, while consumer-initiated non-renewals show an upward trend over multiple years since 2015[2].

[1] Reported non-renewed numbers combine both policies cancelled mid-term before the end of the policy period and policies that were not renewed at the policies' expiration date.
[2] See Table 1 for explanation of differences between insurer-initiated and consumer-initiated non-renewal counts.

Figure 1. Count of Non-Renewals and Cancellations for homeowners and dwelling fire policies[3]



Observations:

- The number of insurer-initiated and consumer-initiated homeowners and dwelling fire non-renewals have trended higher over the timeline of the data collections, as shown by the dotted line-of-best-fit[4].
- Over the same time period, the number of total homeowners and dwelling fire policies in California (new policies plus renewed policies) has grown. When more policies are in effect, there are more overall policies to potentially be nonrenewed in a given year. Therefore, the percentage of annual non-renewals is also important to consider.
- Approximately 13% of the total voluntary market homeowners and dwelling fire policies (new plus renewed) were non-renewed in 2021, compared to 11% in 2018 based on the number of policies reported in each year.[5]

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[3] After reviewing previous data submitted by insurers in past years, the Department determined that clarifications were needed to improve consistency of how non-renewals were classified and reported by insurance companies. Starting in 2020, CDI clarified to insurers as to how to report cancellations and non-renewals when nonpayment of premium occurred. The Department directed companies to categorize nonpayment of premium as a consumer-initiated action, rather than insurer-initiated as some companies had done previously prior to 2020. We have calculated the net effect to be approximately 10,000 insurer-initiated non-renewed policies to be recategorized as consumer-initiated in 2020.

[4] The dotted line in Figure 1 and Figure 2 is calculated as a "line of best fit" to illustrate the trend over multiple years.

[5] These numbers are derived using a simplified formula for ease of review of this document that yields almost identical results; a more precise measurement requires calculating the percentage of non-renewals based on the total number of new and renewed policies from the prior year since it is usually prior year policies which are cancelled or non-renewed in the following year.

2. ***Total FAIR Plan policies in 2021 remain elevated while new policies declined relative to 2020***

From 2019-2021, the number of new FAIR Plan policies remains at an elevated level compared to the prior 2015-2018 period although, in 2021, there were about 10,000 fewer new FAIR Plan policies written than in the prior year (Figure 2). More policyholders renewed FAIR Plan policies starting in 2020 compared to the previous year, but the rate of growth slowed almost two-fold. As of the end of 2021, FAIR Plan policies made up approximately 3% of the overall residential insurance policies in California. The four appendices at the end of this Fact Sheet provide further breakdowns of the data, including for areas that have geographic indications of wildfire risk.

Figure 2. Count of New and Renewed FAIR Plan Policies

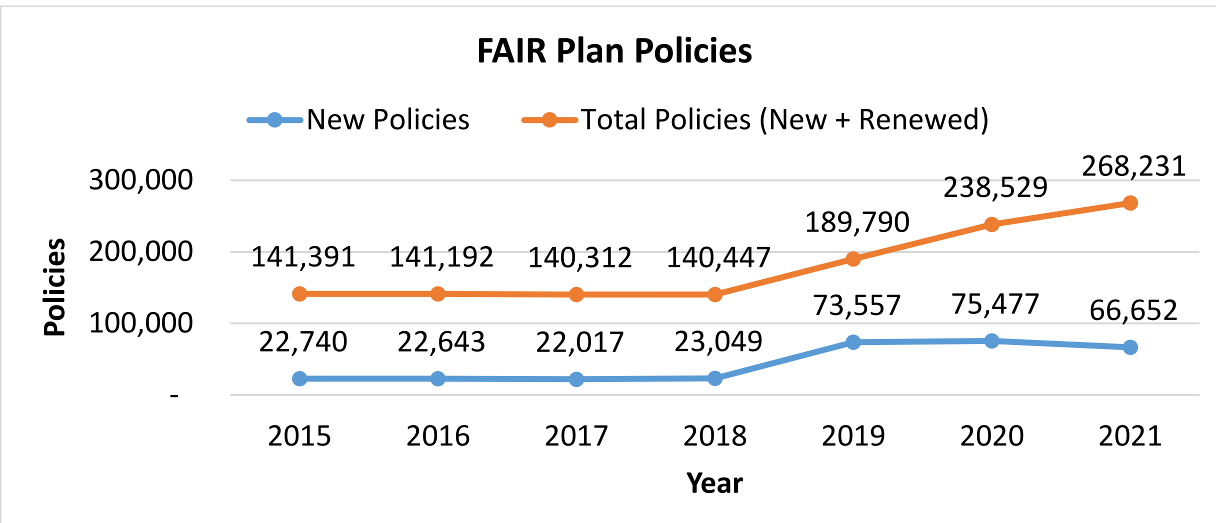
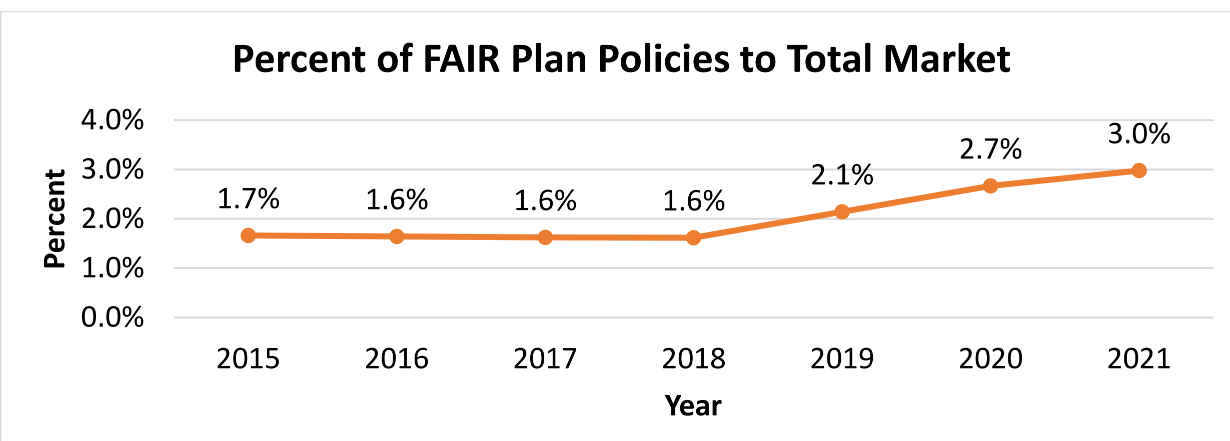


Figure 3. FAIR Plan Policies (New + Renewed) as a Percentage of the Total Number of Policies in the Overall Market



Observations:

- The number of new FAIR Plan policies declined in 2021 compared to 2019 and 2020, which is consistent with public statements made by the FAIR Plan that new policies would taper off in 2021 ("California's wildfire insurance crisis is easing. Why some carriers are returning," *Sacramento Bee*, November 13, 2021). However, the number of new policies written in 2021 remains elevated when compared to historical trends from 2018 and earlier.
- As of the end of December 2021, FAIR Plan policies made up 3% of the total number of policies (including surplus lines) of the overall residential insurance policies in California, a percentage that has been increasing incrementally, by about a half a percentage point a year, since 2018, when FAIR Plan policies were 1.6 percent of the overall market.

3. ***Encouraging trends in areas most at risk of wildfires***

Based on the multi-year trends shown in this Fact Sheet, there are some encouraging trends for homeowners and dwelling fire insurance availability, including:

1. Starting in 2020, the counties categorized as most at risk from wildfires had an increase in the number of residential policies being renewed, and a decrease in the number of policies being non-renewed as compared to the prior year. This may suggest that consumers (policyholders) in these areas may have had more opportunities to renew with their current carrier instead of moving to a different carrier.

2. The number of new FAIR Plan policies went down in 2021 compared to 2020, showing a more gradual increase than in the previous two years.

Insurance Commissioner Ricardo Lara continues to act to promote increased options for consumers. Recent regulations, legislation, and data analysis supported by the Department encourages wildfire risk mitigation for homes and communities. By the end of 2021, insurance companies representing 40 percent of the market offered wildfire safety discounts. Commissioner Lara enforced a new regulation expanding insurance discounts under the Safer from Wildfires framework in October 2022 to the entire homeowners and commercial insurance marketplace. The full impact of these actions will be seen in future data.

Explanation of Non-Renewal Categories

Consistent with the Department's Fact Sheets on nonrenewal data from 2019-2020, the 2021 non-renewal numbers for homeowners and dwelling fire policies are broken-down between ***insurer***- vs. ***consumer***-initiated non-renewals.[6]

Non-renewals can happen for a number of reasons, and are a separate category from cancellations, which are less common. Table 1 provides examples of how non-renewals are classified between these two categories; although this list is illustrative, it is not an exhaustive list of every reason.

Table 1: Examples of Insurer-Initiated and Consumer-Initiated Non-Renewals and Cancellations

Insurer-Initiated		***Consumer***-Initiated	
Cancellation	Non-Renewal	Cancellation	Non-Renewal
• Cancellation during first 60 days due to underwriting ineligibility. • Fraudulent or missing info in applications. • Cancellation of legal protection insurance (LPI) policies upon mortgage-holder either securing insurance through a standard carrier or no longer having an insurable interest.	• Changes that affect underwriting criteria, such as changes to condition of the dwelling or brush fire score. • Claim history or exposure to liability loss. • Insurer exiting the market. • Insurer restricts underwriting eligibility for renewal business.	No reason required to be provided to insurer, but may include: • Consumer cannot afford premium payments. • Consumer no longer has an insurable interest in the property. • Consumer finds a more favorable policy with a competitor.	No reason required to be provided to insurer, but may include: • Consumer no longer has an insurable interest in the property. • Consumer finds a more favorable policy with a competitor. • Consumer cannot afford premium payments.

[6] For clarity, the Fact Sheet starting this year and going forward will use the term "consumer-initiated non-renewals" instead of the previously used one "insured-initiated non-renewals".

Appendices

Appendix A: Number of New, Renewed, and Non-Renewed Homeowners' Policies in the State

Number of Homeowners' Policies Statewide

	Voluntary Market[1]				FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-renewed Consumer-Initiated	Non-renewed Insurer-Initiated	New	Renewed	Non-renewed	New	Renewed
2021	1,107,169	7,621,326	876,760	241,662	66,652	201,579	38,940	6,326	6,450
2020	1,057,402	7,631,979	805,787	186,440	75,477	163,052	27,210	7,750	8,276
2019	1,102,130	7,540,135	787,795	234,843	73,557	116,233	25,543	11,912	9,620
2018	979,638	7,546,700	749,179	165,008	23,049	117,398	22,154	8,247	11,547
2017	978,576	7,510,275	751,807	166,285	22,017	118,295	21,740	6,660	11,034
2016	966,610	7,476,478	738,436	178,315	22,643	118,549	21,979	7,431	9,213
2015	944,639	7,412,985	717,522	182,059	22,740	118,651	20,944	6,503	7,881

[1] The number of new, renewed, and non-renewed policies reported includes homeowners (HO-2, HO-3, HO-5, and HO-8, or equivalent), dwelling fire forms (excluding dwelling fire contents only coverage), landlord business owner policies (residential policies of 4 units or less), and mobile homes, representing 98 % of the homeowners market. It excludes renters (HO-4) and condominium (HO-6) data. In some instances, Difference in Condition (DIC) policies were included in the number of new, renewed, and non-renewed counts.

Appendix B: Number of New, Renewed, and Non-Renewed Homeowners' Policies in ZIP Codes that overlap with the State Responsibility Areas (SRA²)

Number of Homeowners' Policies in ZIP Codes with an State Responsibility Area (SRA[2]) Presence

Voluntary Market [1]					FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-renewed Consumer-Initiated	Non-renewed Insurer-Initiated	New	Renewed	Non-renewed	New	Renewed
2021	582,717	3,817,313	459,229	142,028	56,659	127,849	27,459	3,820	3,869
2020	574,735	3,824,665	428,758	114,430	63,914	89,464	18,445	5,085	5,538
2019	606,638	3,759,090	409,063	151,119	62,072	42,819	13,769	8,390	6,802
2018	507,309	3,795,487	386,862	87,140	13,538	36,562	9,358	6,508	9,142
2017	498,423	3,777,648	383,409	85,349	11,830	33,681	8,354	5,138	8,594
2016	493,002	3,763,190	377,209	92,553	10,964	31,153	7,965	5,800	6,770
2015	477,749	3,738,748	364,599	93,405	10,750	28,265	7,003	4,886	5,635

[1] The number of new, renewed, and non-renewed policies reported includes homeowners (HO-2, HO-3, HO-5, and HO-8, or equivalent), dwelling fire forms (excluding dwelling fire contents only coverage), landlord business owner policies (residential policies of 4 units or less), and mobile homes, representing 98 % of the homeowners market. It excludes renters (HO-4) and condominium (HO-6) data. In some instances, Difference in Condition (DIC) policies were included in the number of new, renewed, and non-renewed counts.

[2] State Responsibility Area (SRA): CAL FIRE created a fire map depicting moderate to very high fire hazard severity zones in California that was adopted on November 7, 2007. We were able to conjoin the fire zones with ZIP codes to identify the ZIP codes affected. However, we have no means to determine to which extent.

Appendix C: Number of New, Renewed, and Non-Renewed Homeowners' Policies in 10 Counties[2] with the Highest Exposure to Wildfire[3]

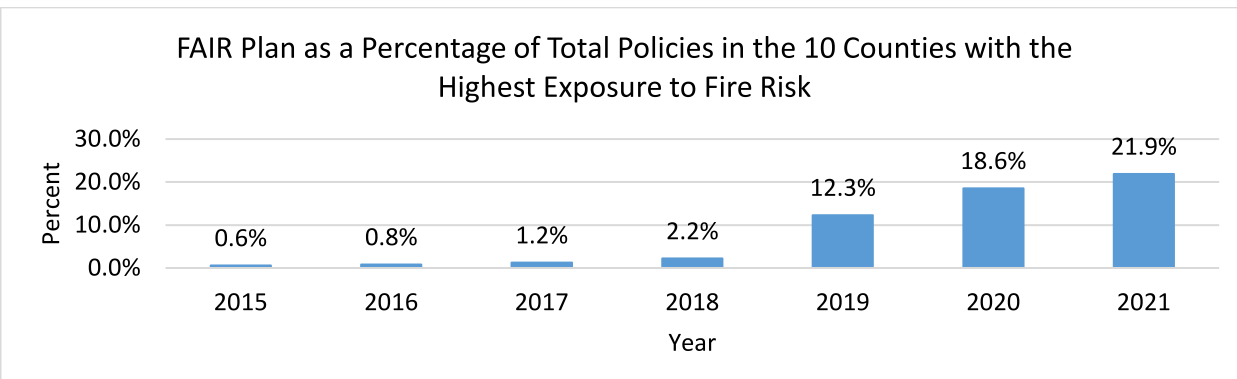
Number of Policies in 10 Counties[2] with the Highest Exposure to Fire Risk

	Voluntary Market [1]				FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-renewed Consumer-Initiated	Non-renewed Insurer-Initiated	New	Renewed	Non-renewed	New	Renewed
2021	25,364	166,269	20,759	12,013	14,455	39,534	7,025	453	531
2020	37,666	162,535	22,369	12,663	20,875	25,150	4,699	753	986
2019	43,785	150,732	17,856	18,107	23,743	4,075	2,007	2,062	1,593
2018	21,404	165,307	15,291	5,940	2,437	1,878	687	1,978	2,719
2017	17,589	169,462	14,647	5,074	1,199	1,196	484	1,585	2,383
2016	18,178	171,393	14,612	5,081	727	878	380	1,968	1,215
2015	17,009	175,306	14,620	5,977	632	562	269	1,026	1,027

[1] The number of new, renewed, and non-renewed policies reported includes homeowners (HO-2, HO-3, HO-5, and HO-8, or equivalent), dwelling fire forms (excluding dwelling fire contents only coverage), landlord business owner policies (residential policies of 4 units or less), and mobile homes, representing 98 % of the homeowners market. It excludes renters (HO-4) and condominium (HO-6) data. In some instances, Difference in Condition (DIC) policies were included in the number of new, renewed, and non-renewed counts.

[2] The ten counties ranked by highest exposure first are as follows: Tuolumne, Trinity, Nevada, Mariposa, Plumas, Alpine, Calaveras, Sierra, Amador, and El Dorado.

[3] See Appendix C in Cignarale, T., Laucher, J., Allen, K., & Landsman-Smith, L. (2017). The Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions. *California Department of Insurance's Availability and Affordability Residential Property Insurance Task Force*.



Observations:

1. The counties included in Appendix C consistently represent only 2% of the total new and renewed homeowners and dwelling fire policies in the state's voluntary market from 2015 through 2021. However, FAIR Plan policies in these counties have steadily increased, with FAIR Plan policies making up approximately 22% of total new and renewed residential policies covering fire perils written in these counties in 2021, up from only 1% back in 2015.

2. As noted earlier, starting from 2020, there are fewer non-renewals and more renewals year-over-year. This comes after 2019 had large increases in non-renewals and decreases in renewals compared to 2018.
3. The FAIR Plan trends in 2021 for these 10 counties show a decrease in new policies written compared with 2020, while renewed policies increased. This suggests that while fewer people are seeking FAIR Plan coverage, many people with a FAIR Plan policy are staying with the FAIR Plan.
4. Surplus lines for homeowners and dwelling fire policies are becoming less prevalent in these counties, with a 43% year-over-year decline in new and renewed policies in 2021 compared to 2020.

Appendix D: Number of New, Renewed, and Non-Renewed Homeowners' Policies in Counties[2] Where 25% or More of the Homes are in High Wildfire Risk Areas[3]

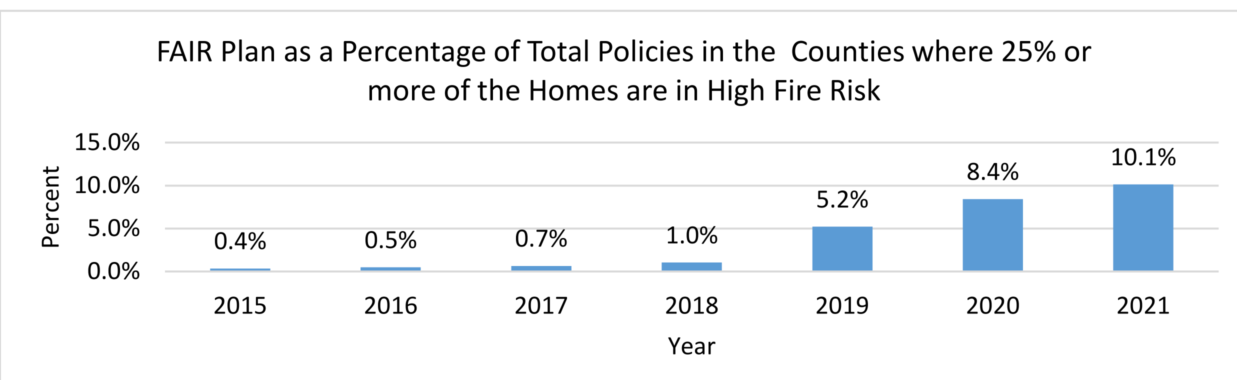
Number of Policies in Counties[2] where 25% or more of the Homes are in High Fire Risk

	Voluntary Market [1]				FAIR Plan			Surplus Lines	
Year	New	Renewed	Non-renewed Consumer-Initiated	Non-renewed Insurer-Initiated	New	Renewed	Non-renewed	New	Renewed
2021	89,205	628,172	73,045	26,872	24,073	56,996	10,959	1,113	1,270
2020	107,238	620,566	74,827	28,418	31,977	35,271	7,288	1,394	1,802
2019	114,159	605,547	68,627	35,911	32,770	7,037	3,566	3,249	2,677
2018	82,363	626,500	61,364	17,277	3,791	3,658	1,336	3,084	4,195
2017	74,863	629,233	58,753	17,195	2,154	2,534	941	2,398	3,750
2016	74,099	631,429	57,145	17,419	1,553	1,861	791	2,907	2,094
2015	71,886	633,940	56,157	18,310	1,314	1,234	587	1,624	1,794

[1] The number of new, renewed, and non-renewed policies reported includes homeowners (HO-2, HO-3, HO-5, and HO-8, or equivalent), dwelling fire forms (excluding dwelling fire contents only coverage), landlord business owner policies (residential policies of 4 units or less), and mobile homes, representing 98 % of the homeowners market. It excludes renters (HO-4) and condominium (HO-6) data. In some instances, Difference in Condition (DIC) policies were included in the number of new, renewed, and non-renewed counts.

[2] Counties where 25% or more homes are in high fire risk. Ranked by highest exposure first: Tuolumne, Trinity, Nevada, Mariposa, Plumas, Alpine, Calaveras, Sierra, Amador, El Dorado, Mono, Lake, Mendocino, Siskiyou, Butte, Lassen, Shasta, Tehama, Santa Cruz, Humboldt, Napa, Del Norte, Modoc, and Placer.

[3] See Appendix C in Cignarale, T., Laucher, J., Allen, K., & Landsman-Smith, L. (2017). The Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions. *California Department of Insurance's Availability and Affordability Residential Property Insurance Task Force*.



Observations:

1. While these numbers include the top 10 counties shown in Appendix C, the data in Appendix D also includes an additional 14 counties with a quarter or more of the homes in high fire risk areas.
2. For the most part, the trends in this table resemble the top 10 counties with the highest fire risk, with decreases in year-over-year non-renewed homeowners and dwelling fire policies, and an increase in renewal of such policies as well as steady growth in FAIR Plan policies.