
POLICY BRIEF:

Natural Disaster Insurance for All

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Summary

Californians already pay for wildfire risk through their homeowners premiums. Unfortunately, they pay more for less as insurance companies raise prices while charging higher deductibles and covering less. We propose moving that money out of for-profit insurance companies and into one public, non-profit program that covers wildfire for every home in the state and puts what's left over after claims into reserves and into making communities safer. Lower risk means lower losses, and lower losses are the only way to make insurance affordable and available. This is a long-term, systemic solution and it must start now. Every year we choose to wait and maintain the status quo, the bigger the problem gets.



The Insurance Crisis

We are required to have insurance: to drive to work or to school, to qualify for a mortgage, to open a business of any kind. We must make insurance affordable and available or we will shut everyday Californians out of our economy. And this is already happening.

Our insurance market is failing: property insurance. Premiums are surging and coverage is vanishing. A [Stanford research paper](#) found that California homeowners insurance premiums skyrocketed by 84% since 2020. At the same time, insurance companies are abandoning their policyholders. Between 2018 and 2024, the number of California homeowners dropped by their own insurer [nearly quadrupled](#). And people are paying more for less: average deductibles [rose from \\$1,813 to \\$2,553](#) between the end of 2020 and March 2026.

The FAIR Plan, California's insurer of last resort, has ballooned from roughly 240,000 policies in 2021 to nearly 700,000 with total exposure now exceeding [\\$768 billion as of June 2026](#), inside a program originally designed in 1968 to combat redlining, not to absorb catastrophic wildfire risk. The same plan recently announced a [29.1% rate hike](#) effective October of this year.

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The FAIR Plan and the nearly unregulated surplus lines insurers accounted for [roughly 15%](#) of California's homeowners premium in 2025. Nationally, an estimated one in seven homes now carries no insurance at all, and [nearly one in ten single-family homes in California has no coverage](#).

This is not just a homeowners problem – all Californians are impacted. When landlords pass down soaring insurance costs, tenants pay the price through higher rent or outright displacement. Businesses are forced to cut expenses and lay off employees to keep their coverage. For working families, every dollar spent on the rising cost of insurance is another dollar taken from groceries, childcare, and savings.

What is driving this crisis?

1. **A worsening climate crisis:** In the 1980s, the United States experienced a billion-dollar weather disaster roughly once every three months. Now, these [events occur approximately every three weeks](#). [19 of the 20 largest California wildfires](#) by acreage have occurred since 2000. The January 2025 LA wildfires destroyed over 16,000 structures and caused an estimated [\\$30 billion in insured losses](#). Significant weather events like the expected super El Niño will only contribute to the volatility we will face in the near future.
2. **More homes in risky areas:** The Congressional Budget Office concluded in [2024](#) that building and population growth in high-risk areas “mean that more people and property are at risk and so also contribute to larger losses,” on top of what climate change is doing to increase wildfire risk.
3. **Inflation:** Labor and materials costs have continued to climb, making it more expensive to repair or rebuild homes.
4. **Wildfire risk areas have expanded:** The state’s updated fire hazard maps, released in 2025 for the first time in over a decade, moved large areas into the high and very high hazard categories. Territory deemed “high” or “very high” hazard exploded across the state, increasing by [168% since 2011](#), including areas that had previously had minimal wildfire risk.

The industry often blames a fifth factor: California’s Proposition 103 rate rules suppressed premiums for years. However, it is estimated that insurers largely broke even throughout the 1990s and [earned underwriting profits](#) on California homeowners insurance from 2004 to 2016; then the 2017 and 2018 fire seasons wiped out those profits. This is not a simple story of faulty regulation: it is a bigger story of a system that was not designed to handle increasing risk. The response must be to reduce risk, not loosen regulation so insurers can simply charge more for less.

Why the status quo isn’t working

Our insurance system requires risk to be relatively predictable and stable. When risk climbs and becomes less predictable, the private market can only charge more, drop policyholders, or cherry-pick the lowest risks, and none of those makes a home or community safer.

The industry and establishment politicians have argued that we must first “stabilize” the market by letting insurance companies charge higher premiums. Then, supposedly competition and risk mitigation will make insurance affordable for all Californians. We see several issues with this approach.

1. **Competition does not lower the risk:** When risk rises, the competitive price rises with it. Insurers compete to underwrite the safest homes, not to make homes safer.
2. **Current discounts are not enough:** The average cost for comprehensive mitigation runs anywhere between [\\$23,000 - \\$60,000 for a single family home](#). The average statewide discount for that mitigation is [\\$215.78](#). Homeowners who live in a Firewise USA community and who undertake all of the possible actions that qualify for discounts would receive an annual discount of only about \$100 on average. And these discounts vary widely across insurance companies.
3. **Californians are largely footing the bill:** The current approach still leaves most of the cost of mitigation on individual homeowners, for their own property and for the community around it. The [median U.S. household has about \\$8,000 in the bank](#), and cannot absorb a \$600 premium increase, let alone higher deductibles and retrofit costs required. The insurance crisis is also hampering the [development and viability of affordable housing supply](#). Faced with rising premium costs and even all-out denials of coverage, developers struggle to ensure adequate insurance coverage for new construction and acquisition/rehabilitation. Housing operators, for their part, shoulder more costs from damages, which they may pass on to tenants in the form of rent increases (where allowed), increased fees or deferred maintenance.
4. **Current mitigation efforts are not enough:** The closest thing California has to a statewide home hardening effort is a pilot program the Legislature created in 2019. By [spring 2025 it had retrofitted 21 homes](#). Its total funding is enough for roughly 2,000, in a state where millions of people live in high fire hazard areas, and it depends largely on federal grants that can be cut at any time.

And we already pay for disasters in today's system with no clear path to reducing risk. After the LA fires the FAIR Plan levied a \$1 billion assessment on insurers, half of it passable to policyholders statewide. The state's own SB 254 study estimates that under today's structure a 1-in-100-year wildfire would trigger about \$7 billion in FAIR Plan assessments, or \$500 to \$550 per policyholder, on every policy in California regardless of the policyholder's own fire risk.

Increasing prices to increase availability is a band-aid, one that is not an option if working families cannot afford it. And insurance companies will just charge more and more after each catastrophic wildfire. When establishment politicians talk about "stabilizing the market", they only mean "stabilize" for insurers, not the customers.

This is a systemic problem

All of this points to the core issue and limitation of the current insurance system: insurance companies are not capable of managing the growing climate catastrophe. Whether your house survives a wildfire depends on more than how it was built. It depends on a wide range of factors beyond your control: whether your neighbors took similar precautions, density of your neighborhood, landscaping surrounding the community, broader land management practices, proximity to potential ignition risks, and a host of weather and geographic variables. But today, no one is in charge and coordinating efforts; responsibility is scattered across the property owner, HOAs, city or county government, CAL FIRE, federal agencies, and utilities.



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The damage doesn't stop at the cost of rebuilding either. When a fire destroys a neighborhood, it takes years for the community to fully recover. Businesses lose their employees and customers. Local governments lose property and sales tax revenue while their costs for firefighting, disaster relief, and rebuilding spike. Banks and credit unions see mortgages default. Environmental damage can negatively impact access to clean water. And health effects last long after the fire is put out.

Climate resilience is not a new idea and California is already investing in it: CAL FIRE's landscape programs, the California Safe Homes Act, Prop 4 bond funds, federal community wildfire grants, utility mitigation plans, and hundreds of local fire safe councils. But each of these can run on its own budget, its own data, and its own solutions. And insurers rarely give property owners meaningful credit for any of it when they set premiums.

Insurance companies are not positioned to lead the initiative to make our communities safer because they are not rewarded for it. An insurance policy lasts one year; a new roof or a fuel break lasts decades. A company that helped pay to harden a neighborhood would be paying for losses avoided by whichever company insures those homes next year. The savings from a safer community scatter across a dozen carriers, so no single company can fully justify the investment. The cost-effective response to rising risk, for any one insurer, is not to reduce it but to raise prices or leave.

Systemic problems require systemic solutions

We can no longer afford to rely on isolated and incremental solutions to fix a system failure. What California needs is a unified, systems-wide response. We propose a non-profit, public program that covers wildfire risk for every existing home in California. Participation will be mandatory so the pool avoids taking on highest risk only and is large enough to achieve stability. Californians already pay for wildfire risk through a portion of their homeowners insurance premium. Today, that money goes to companies looking to maximize profit. We propose moving it into a public program built to maximize safety and reinvest savings back into further risk reduction.

This program would require collaboration with a number of key stakeholders, including the Governor, the legislature, and a wide range of public and private organizations.

How it would work

The program would take one peril, wildfire, out of the homeowners policy and cover it for every property. Each home's wildfire premium would have two parts. The first is priced to the home's

own wildfire risk, based on where it is, how it is built, and what surrounds it. This part covers the losses the program expects to pay in a normal year, and it goes down as the home and the community around it become safer. The second would be a small, capped share that every home in the state contributes to cover the bad wildfire seasons that no single home, company, or neighborhood could absorb alone. It is charged as a percentage of the cost to rebuild the home, so higher-value homes pay more in dollars. Homes in low-risk areas would pay very little for the first part and a modest amount for the second, in exchange for a system that no longer drops them, surcharges them, or raises their rates after every fire.

Coverage would be capped at a replacement cost set high enough to fully rebuild the typical California home, ensuring most Californians will be fully covered. Owners of homes that cost more than the cap would be able to shop the private market for coverage above the cap, as they do today for other high-value homes. This keeps the public pool focused on ordinary homeowners and not on rebuilding mansions. We will also explore more progressive options for the premium so that the wealthiest Californians pay their share, including a possible surcharge on high-value second homes and vacation properties.

We propose that insurers administer the coverage while the program holds the risk. Insurers would sell and bill the wildfire coverage alongside the rest of the policy and handle routine claims and be paid a fee for that work. The program would set the rates, hold the reserves, buy the reinsurance, run the public risk model, and guide the mitigation spending. We will explore all options, including whether the program should run its own claims operation for major catastrophes so that every survivor of the same fire is handled under the same rules by the same team, and how the program's board should be structured to stay independent of both the industry and short-term politics.

The private insurance market would continue to compete for the remaining risk, including water damage, wind, theft, liability, and ordinary house fires. Premiums charged for these risks would decrease with wildfire peril removed, along with related costs like reinsurance, increasing availability for Californians.

The program would only cover existing homes today. We would explore defining eligibility for new homes based on allowable risk zones and mitigation standards. A public pool cannot continue to fund building homes in high risk areas. This is also why the program cannot succeed on its own. California needs far more housing and it will take the Governor and the Legislature, working on land use and zoning, to make sure that new affordable homes are built in safer places.

How to pay for it

Californians pay about \$18 billion a year for homeowners insurance, and we estimate roughly \$3 to \$5 billion of that is for wildfire. It cannot cover a catastrophic season like January 2025, which cost about \$30 billion, but no insurer's premium can. Every catastrophe insurer, including public programs like the Earthquake Authority, has additional layers to cover the extreme risks: money in the bank (capital), insurance for the insurer (reinsurance), and the ability to borrow after a disaster and pay it back over time. So would this program.

The SB 254 Natural Catastrophe Resiliency Study, released April 2026, explored this structure as an option: a mandatory state-sponsored wildfire insurer administered like the CEA. It found the program would need about \$25 billion in the bank to pay for a very bad year on its own. Buying reinsurance for that risk would cost \$2 to \$3 billion a year, about \$150 to \$230 per policy, and cut the starting capital needed to about \$6 billion. Without reinsurance, a once-in-a-century fire would mean a charge of \$1,900 to \$2,000 per policy, spread over several years.

We want to build on these concepts and explore ways to improve the speed and scale at which we can create this program and reduce risk.

1. We will explore legislation requiring insurers to contribute to starting capital, in proportion to market share and in installments, in exchange for being relieved of the most volatile risk on their books in California (similar to the approach when we created the CEA).
2. We propose the public insurance program runs the mitigation. The institution paying the claims is the one with the loss data to know which neighborhoods to harden first, the reach to convene CAL FIRE, local fire agencies, utilities, water districts, and planners around one plan, and the durability to keep that plan going across administrations. The program would align the state and federal mitigation dollars California already spends behind that plan, pay for the neighborhood-scale work those dollars miss, and return the savings from verified risk reduction to the homes that did the work through a lower premium.
3. We would seek innovative new funding sources. Wildfire damage does not stop at the house. Mortgage lenders hold the loans, water districts absorb contaminated supplies, local governments lose tax base, and utilities carry the liability. None of them has an adequate place to invest in prevention today. A public, non-profit program gives them a vehicle to do so.
4. Finally, we will use the program's scale to pursue ways to hold polluters and negligent investor-owned utilities accountable. It would have the standing, the data, and the reason to pursue those cases with a weight no single insurer has, and every dollar recovered would go into prevention and lower premiums.

Why we believe this is the right solution

Systemic problems require systemic solutions and public programs can do things that the private market cannot.

- Built to reduce premium: A private insurer earns more when premiums go up and loses when it takes on risk, so its safest move in a crisis is to charge more or leave. A public, non-profit program has the opposite incentive. It answers to policyholders, not shareholders, and the only way it succeeds is by making fires smaller and coverage cheaper. It is the first institution in California's insurance system whose job is to bring the price down.
- Affordability first: Every other approach lowers premiums by only moving cost from one group to another. This one lowers premiums by actually reducing risk. Because

it is non-profit, whatever is left after claims goes to reserves and prevention, not shareholders. Because it keeps its policyholders for decades, every dollar of prevention comes back to the same pool that paid for it. Over time, the program gets cheaper as the risk declines.

- Healthy homeowners market: With wildfire out of the private policy, insurers have less reason to refuse a home or leave a ZIP Code. Families can get coverage when they buy and the unregulated surplus lines market shrinks back to normal.
- Faster, fairer recovery: After a catastrophe, one set of rules governs every wildfire loss in the fire's footprint, instead of thousands of survivors negotiating with dozens of companies over what counts as fire, smoke, or something else.
- Better management of concentrated risk: Pooling the state's wildfire risk in one program would concentrate it. The program would not have the benefit of offsetting a bad California year with profits from other states, a benefit that has not stopped premiums from dramatically increasing or coverage from disappearing. It would still be able to access the global reinsurance and catastrophe bond markets, backed by reserves and post-event financing the way other public insurance programs are today. And a single program holding all of the state's wildfire risk is the only institution with the capability to bring the full range of public and private stakeholders together to reduce that risk systemically, in coordination and at scale.



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Conclusion

A systemic problem needs a systemic solution. We must modernize insurance so it actively reduces risk and captures the full benefit of that work for the people who paid for it, the working families of California.

California has spent decades trying to invent the right mix of incentives and regulation to get for-profit companies to act against their own design. It always ends the same way: with insurance companies threatening to leave the market unless prices are increased. A public program built to reduce risk is our way out of this hostage situation. It can hold a plan for decades, learn from every fire, share what it learns, and bring CAL FIRE, utilities, local planners, lenders, and communities around one goal. That is what a durable institution can do that a market of competing companies cannot.



We will transform and redesign insurance to meet the moment. With you.

This will not be easy. The problem reaches well beyond the Insurance Commissioner's office, into housing, land use, climate, and infrastructure, and it will take the Legislature, Governor, local governments, and Californians themselves to solve. It is likely we will face significant wildfire events as we build this solution. And we expect this plan to adapt and adjust as we gather data and experience.

But the alternative is to do more of the same, a world where each bad year costs more than the last, more homes go uninsured, and more of the cost lands on everyday Californians. Doing more of the same is not the safe choice. It is the most expensive one.

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