

Our Current Insurance System Is Failing Us and California's Next Insurance Commissioner Can Do Something About It

Insurance companies have [increased](#) homeowners insurance premiums by an average of 24 percent from 2021 to 2024 nationwide. They are raising premiums for multifamily housing too, which results in higher rents and higher costs for new affordable housing. The rising cost of insurance is adding extra financial strain on too many U.S. families at a time when cost of living concerns are at their highest. Steeper insurance costs mean higher housing costs make it harder for families to make ends meet. Rising insurance premiums are responsible for [higher credit card debt, higher credit card default rates, and higher mortgage delinquency rates](#).

Climate change is driving [more severe and frequent disasters](#) and [higher recovery costs](#). Home insurers have responded mainly by [jacking up rates, retreating from markets, denying record numbers of claims](#), and [paying out less in claims compared to premiums collected than in prior decades](#), rather than working with households and communities to bolster resilience and lower climate risk. Meanwhile, insurers continue to make money by investing in and underwriting fossil fuels and their profits overall remain high. This is both a cost-of-living crisis and a [climate crisis](#).

Insurance is regulated at the state level, and insurance commissioners are the ones responsible for overseeing and enforcing laws and regulations. Some insurance commissioners serve in elected office, and some are appointed by a state's governor.

What can an insurance commissioner do?

Insurance commissioners have [varying levels of authority over pricing](#) across different states, ranging from significant authority to deny insurance companies' rate increase requests if they are excessive or inadequate, to being able to enforce compliance only after insurance companies set their own rates, to having no meaningful authority to review and reject rates at all.

In California, insurance commissioners have prior approval authority, which means they have the broadest authority to deny or approve insurance companies rate increase requests. California is also the only state with a public intervenor program for the insurance rate filing process, which gives the insurance commissioner the greatest oversight and negotiating ability over rate increases and the ability to limit excessive rate hikes and discrimination in pricing. A public intervenor program also offers unparalleled opportunity for public input on rate hikes by giving the public a chance to attend hearings, submit testimony, and receive compensation

awards. Additionally, California is one of 11 states that elect their insurance commissioners, giving voters a voice in who they want to see in this public office.

In addition to regulating insurance rates, insurance commissioners also:

- Issue and control licenses to sell different types of insurance in a state (i.e. property, home, auto, health, etc.)
- Oversee insurance company solvency
- Protect consumers—like homeowners, renters, and small businesses—from fraud, discrimination, abusive practices, and price-gouging
- Conduct investigations and request data from insurance companies on how they do business in the state, such as how often and how fast they pay claims and whose policies they are not renewing and where
- Provide ways for consumers to raise complaints about the industry and their coverage
- Investigate and take action against insurance companies for failure to pay claims fully, fairly, and in a timely manner in the wake of disasters so survivors are able to fully and safely recover
- Can play a key role in maintaining affordable access to property insurance in the face of climate change by requiring insurance companies to develop and disclose transition plans, including their fossil fuel investments
- Can require insurers to develop climate resilience plans that help their customers adapt and maintain their insurance coverage and lower insurance costs

Insurance companies are investing your money into the very fossil fuel companies that are responsible for the climate change that is causing more extreme weather that destroys people's homes

Insurance companies make money mainly in two ways: 1) by writing insurance policies and 2) by investing the premiums they get from policyholders. Overall, climate change has been driving higher losses and higher claims, but for the most part, in most places, the industry has raised premiums enough that their businesses are still turning incredible profits overall, and seeing massive investment returns.

Translation? Today, the costs of climate change are being largely borne by consumers, not the insurance industry.

While insurance companies claim they are victims of climate change, their own portfolios and their continued profitability tell a different story. They invest hundreds of billions of dollars in fossil fuel expansion, directly financing and insuring the oil and gas projects driving these disasters. Then they raise rates, cancel coverage, or leave entire regions without insurance.

