



STAFF REPORT

DATE: 12/18/2024
TO: Honorable Mayor and City Council Members
FROM: Office of the City Manager

2024-190

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:

RESOLUTION NO. 2024-110 URGING GOVERNOR NEWSOM TO TAKE EMERGENCY ACTION TO STRENGTHEN AND STABILIZE CALIFORNIA'S MARKETPLACE FOR HOMEOWNERS AND COMMERCIAL PROPERTY INSURANCE

EXECUTIVE SUMMARY:

This staff report recommends that the City Council adopt Resolution 2024-110, urging Governor Newsom and the State legislature to proclaim a state of emergency and take immediate emergency regulatory and legislative action to strengthen and stabilize California's marketplace for homeowners' insurance and commercial property insurance. This urgent action is necessary due to the increasing number of policy cancellations or premium hikes resulting from wildfires and other natural disasters.

RECOMMENDED ACTION:

That the City Council adopt Resolution 2024-110 urging Governor Newsom to proclaim a state of emergency to strengthen and stabilize California's insurance marketplace for homeowners and commercial properties

BACKGROUND & HISTORY:

On October 16, 2024, Vice Mayor Steiner introduced an agenda item requesting that the City Council consider a resolution advocating for residents impacted by insurance rate increases or cancellations caused by natural disasters such as wildfires. Other jurisdictions, including San Bernardino and Placer Counties, have adopted similar

resolutions urging Governor Newsom and Insurance Commissioner Ricardo Lara to address this crisis through emergency action.

During its November 20, 2024, meeting, the City Council directed staff to draft a resolution advocating for regulatory reforms and legislative actions to support residents and businesses facing insurance challenges. The proposed resolution aligns with the City's 2025 Legislative Platform, which includes measures to address canceling insurance policies and rate increases caused by natural disasters.

ANALYSIS:

Rising insurance cancellations and premiums for homeowners and businesses in California highlight the need for urgent action. These challenges disproportionately affect residents in wildfire-prone areas, emphasizing the need for both immediate and long-term solutions.

The proposed resolution requests the Governor, Insurance Commissioner, and State Legislature to consider the following goals in crafting an appropriate regulatory response:

- a. Expand coverage choices for all consumers, particularly in underserved areas of the State.
- b. Improve the efficiency, speed, and transparency of the California Department of Insurance's rate approval process.
- c. Tailor the rate approval process to account for all factors necessary to promote a robust, competitive insurance marketplace, including potential revisions to how catastrophe risks, reinsurance costs, and other legitimate insurer costs are considered.
- d. Maintain the long-term availability of homeowners and commercial property insurance coverage.
- e. Maintain the solvency of the FAIR Plan to protect its policyholders and promote long-term resiliency in the face of extreme weather events by identifying mechanisms to reduce its share of the overall market in underserved areas and move its customers into the admitted insurance market.

Adopting Resolution 2024-110 reflects the City's commitment to advocating for its residents and businesses in the face of growing challenges in California's insurance marketplace. By urging the Governor and State Legislature to take immediate action, the City Council underscores the urgency of ensuring equitable access to coverage and fostering resilience against the increasing impacts of natural disasters.

FINANCIAL IMPACT:

There is no financial impact associated with the recommended action.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if

the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action seeks Council's adoption of Resolution 2024-110, underlining the City Council's commitment to advocating for its residents and businesses in the face of growing challenges in California's insurance marketplace, and there is no possibility that approving the recommended action will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: AMINAH MEARS, DPA, ASSISTANT TO THE CITY MANAGER

REVIEWED BY: BRETT CHANNING, ASSISTANT CITY MANAGER

ATTACHMENTS:

1. Exhibit 1 – Resolution 2024-110
2. Exhibit 2 – Future Agenda Item Request