

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
300 Capitol Mall, 17th Floor  
Sacramento, CA 95814**

March 14, 2024

REG-2023-00010

**INVITATION TO WORKSHOP REGARDING  
CATASTROPHE MODELING AND RATEMAKING**

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The California Department of Insurance (“Department”) will conduct a workshop to discuss the following contemplated changes: (1) amending California Code of Regulations, Title 10, Chapter 5, Subchapter 4.8, Article 4, Sections 2644.4, 2644.5, 2644.8, and 2644.27, and adding to Article 4 new Section 2644.4.5; and (2) amending California Code of Regulations, Title 10, Chapter 5, Subchapter 4.9, Article 3, Section 2651.1 and adding new Article 3.1, Section 2651.10. The purpose of the contemplated changes is to allow property and casualty insurers to use catastrophe models for purposes of ratemaking.

You are invited to participate in the workshop discussions. The purpose of this discussion is to provide interested and affected persons an opportunity to present statements or comments regarding the contemplated regulations.

**Date, Time and Location**

**Date:** April 23, 2024

**Time:** 2:00 p.m. The virtual workshop shall continue until all in attendance wishing to provide comments have commented, or 5:00 p.m., whichever is earlier.

**Location:** Link to Register for the Web-based Virtual Format:

[https://us06web.zoom.us/webinar/register/WN\\_5qoIrbAmRdqzrunzpjpb1w](https://us06web.zoom.us/webinar/register/WN_5qoIrbAmRdqzrunzpjpb1w)

**Attendance.** To increase public participation and improve the quality of any regulations that the Commissioner ultimately adopts, interested parties are invited to attend the virtual meeting and offer comment, if they so choose.

Please note that under the California Public Records Act (Government Code section 6250, et seq.), your written and oral comments, and associated contact information (e.g., your address, phone number, e-mail, etc.) become part of the public record and may be released to the public upon request.

The telephonic call-in line to be used for the public hearing is accessible to persons with hearing impairment. Persons with sight or hearing impairments are requested to notify the logistical contact person for these discussions (listed below) in order to review available accommodations, if necessary.

Please direct all inquiries regarding the workshop to the contact persons named below.

**Regulation Text.** For purposes of promoting discussion, draft texts of the proposed regulatory changes are attached. Participants should be prepared to present specific comments on the attached draft regulation texts during the public discussions. Participants are also invited to submit written statements and are encouraged to provide supporting documents and materials as well.

The draft regulation text attached here concerns the portion of Commissioner Lara's Sustainable Insurance Strategy pertaining to catastrophe modeling. This draft text addresses, among other things, the use of catastrophe modeling in the rate approval process, the transparency requirement of Insurance Code section 1861.07, and the incorporation of wildfire safety measures.

**Public Input Regarding Alternatives.** In connection with this workshop discussion, the Department hereby seeks public input regarding alternatives to the contemplated regulations.

Please provide written or oral comments outlining any alternatives that would secure the same benefits as the contemplated regulations allowing property and casualty insurers to use catastrophe models in support of rate applications. The anticipated benefits of the contemplated regulations include, without limitation, the following:

- Improving pricing accuracy and rate stability by allowing insurers to use additional tools to assess prospective exposure to catastrophe losses in their rate calculations.
- Promoting availability of insurance in areas that have been underserved by improving pricing accuracy and encouraging a more competitive market.
- Promoting fairness as models can more timely account for risk mitigation trends as a result of risk mitigation actions taken at community and property levels.
- Encouraging uniformity and consistency in insurance ratemaking by allowing the use of scientifically, computationally, and actuarially sound models to project catastrophe losses in property and casualty lines, a practice allowed in other states.
- Increasing openness and transparency in business and government by establishing a procedure to allow for thorough investigation of a model to determine what information and data is pertinent to using that model in ratemaking.
- Clarifying and expediting the review of modeled catastrophe loss projections and overall rate review process by establishing the role of a Model Advisor to direct a new procedure specified by these regulations and make determinations as to what constitutes required model information in a rate application. Without this procedure, model disputes would likely occur during the rate application, potentially leading to lengthy delays in the rate review and approval process.
- Standardizing the usage of nonmodeled losses to streamline the rate review approval process, minimize disputes, and allow for the more focused review and faster approval of rate applications.

For each suggested alternative, please provide analysis and supporting information in your comments detailing the economic impact on entities that would be subject to or affected by the

contemplated regulations. Please provide this input regarding alternatives to the contact for substantive inquiries, using the contact information below, by April 23, 2024.

**This is Not a Formal Public Hearing on Proposed Regulations.** Please be advised that participation in this workshop will be in addition to, and not in substitution for, any participation in any formal rulemaking process that may follow. This invitation to the workshop does not constitute a Notice of Proposed Action. Consequently, comments (oral or written) received in connection with this workshop discussion might not be included in any record of rulemaking that may follow. Similarly, the Department is not required to respond to comments received in connection with the workshop discussion. For this reason, if you wish to have comments included in any rulemaking file that may follow, or if you wish for the Department to respond to your comments as part of the process by which it adopts this regulation, you must present your comments during the public comment period according to the procedures outlined in any Notice of Proposed Action.

Again, comments submitted in connection with this discussion will not be considered in any subsequent rulemaking proceeding unless they are resubmitted after the Notice of Proposed Action is issued. However, the Commissioner will consider public comments received in this workshop discussion when contemplating regulatory changes that may be proposed in a Notice of Proposed Action.

**Contact Persons.** All substantive questions and concerns regarding the contemplated regulations and/or these public discussions should be directed to Jon Phenix, using the contact information below. Please submit any written comments via electronic mail to [CDIRegulations@insurance.ca.gov](mailto:CDIRegulations@insurance.ca.gov) by April 23, 2024.

**Logistical Inquiries**

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**Substantive Inquiries**

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