



## Commercial Property Insurance

# New Rules May Coax More Carriers Back into Market

IN AN effort to bring more insurers back into California’s homeowners and commercial property insurance market, the state Department of Insurance has approved a system that will allow insurers to use forward-looking wildfire risk models to price policies in areas susceptible to wildfires.

The DOI hopes this and other measures it’s been taking will provide some relief to businesses and homeowners in high-risk areas. Up until this point, insurers have been barred from using risk models that predict future wildfire claims costs and instead have been forced to use historical data.

Insurers have been pushing for this change for years, saying restrictive regulations have kept them from adequately factoring in wildfire risk.

### What these models do

The DOI in August established the Pre-Applications Required Information Determination, a process that insurers can use to get their predictive models approved.

“The PRID process has introduced the potential for bringing relief to the many insurers who have struggled to provide coverage across California,” the DOI said in a press release. “With the ability to use more innovative risk forecasting model

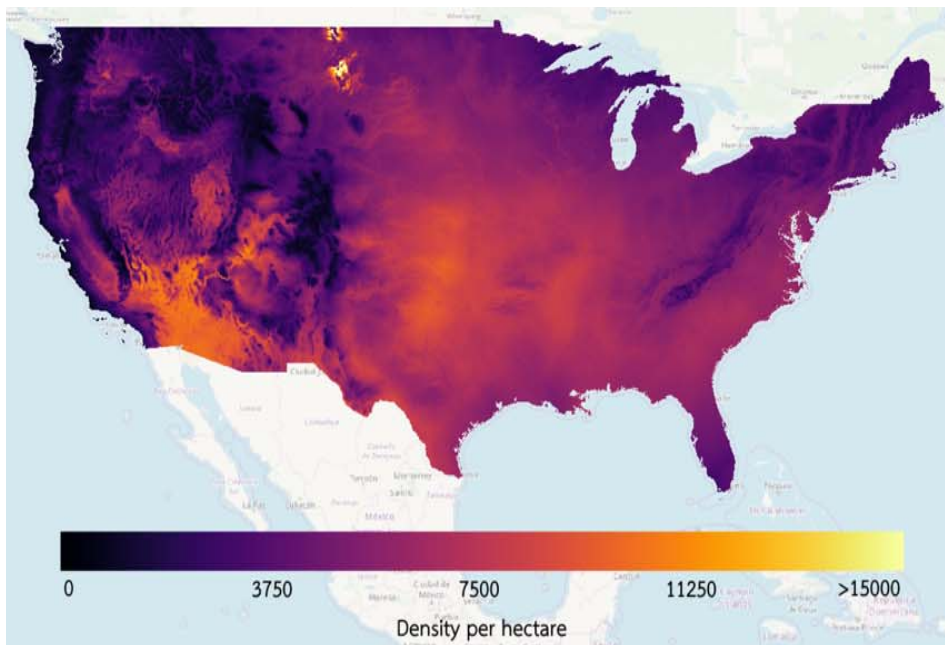
technologies, many carriers may return to provide coverage in the wildfire-prone regions of California.”

Through PRID, the DOI has already approved prospective wildfire models, created by three companies, that insurers can use to price policies in the Golden State.

One such wildfire model was created by risk-modeling company Verisk, which uses decades of wildfire science, engineering expertise and climate data to provide a forward-looking view of risk.

Another model approved through PRID is by Kimberly Clark & Co. That model, which has already been accepted in 24 other states, incorporates the impacts of climate change and accounts for mitigation efforts at property and community levels to encourage the reduction of wildfire risk.

## IMAGE FROM PREDICTIVE WILDFIRE MODEL



Climatological vapor pressure deficit (VPD) across the U.S. Brighter colors indicate higher VPD, which encourages larger, more frequent and more difficult to control wildfires.

### What it means for the market

This could give homeowners and business owners more options in areas where it has been difficult or impossible to find coverage in the private market. The DOI is requiring insurers that use the new models to also commit to writing more policies in wildfire-prone regions.

With the new models in place, Mercury, Allstate and CSAA have announced plans to write more property insurance policies in California.

Rates are likely to shift as insurers adopt the models. Properties in areas shown to be at higher wildfire risk may see premium increases, while those in lower-risk areas or where fire-safety measures are in place may benefit from discounts.

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## Proposed Ballot Initiative Seeks Repeal of Prop. 103

AN INSURANCE agent has filed papers with the state to qualify an initiative for the 2026 election that would repeal Proposition 103, a landmark insurance law that has tightly regulated property and auto insurance rates since 1989.

Since 1989, Prop. 103 has required insurance companies to submit requests for rate changes to the California Department of Insurance (DOI). Under the law, the insurance commissioner is required to review those filings, decide whether they are justified, and can deny or limit increases. Consumers and advocacy groups are also allowed to intervene in the process, giving the public a voice in rate decisions.

The measure also made the post of insurance commissioner an elected position instead of one appointed by the governor.

Critics of Prop. 103 say the law slows down the rate approval process, which can drag out for months or even years due to bureaucratic obstacles. Proponents say it keeps insurance companies in check and that having an elected insurance commissioner allows them to act without political interference.

### Supporters and critics weigh in

The measure, dubbed the California Insurance Market Reform Act of 2026, was submitted by Elizabeth Hammack, an independent insurance agent, who argued that Prop. 103 has led to dysfunction and delays that have worsened California's insurance crisis.

Insurance companies say the lengthy approval process under Prop. 103 has made it difficult to adjust rates as costs rapidly increase.

Insurers argue that delays and a provision requiring any rate hike request of 7% or more to trigger a DOI hearing have discouraged larger filings. As a result, most insurers have limited their requests to 6.9%, which they say has been inadequate in recent years due to rapidly rising claims costs for both property and auto insurance.

Combined with increasingly destructive wildfires, the difficult approval process and insurers' inability to use certain forecasting

models have prompted many companies to restrict writing homes and commercial properties in the state.

Consumer groups oppose the new proposal. They say Prop. 103 has saved Californians billions of dollars on auto insurance and kept home insurance rates more affordable than in many other states. Critics warn that repealing it would open the door to steep premium hikes with less accountability.

### Long odds ahead

For now, the initiative remains a long shot. To make the November 2026 ballot, supporters must gather more than 546,000 valid signatures by next spring, a tall order without major funding. Consumer Watchdog, the advocacy group founded by Prop. 103's author, has dismissed the campaign as unserious and underfunded.

If it does qualify, the proposal could set up a high-stakes battle between consumer advocates and insurers at a time when California residents are already frustrated with rising premiums and shrinking coverage options.



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## Property Wildfire Hardening Can Earn You Premium Discounts

### Other changes in the works

The wildfire models are part of a larger effort to improve the state's strained property insurance sector. Other steps include:

- **Expanded discounts for mitigation:** Homeowners and businesses can qualify for premium reductions by taking specific wildfire safety steps.
- **FAIR Plan expansion:** The FAIR Plan has raised its commercial property coverage limits from \$10 million to \$20 million for single facility and up to \$100 million for a multi-unit property.

- **Reinsurance reforms:** Insurers will be able to better manage their exposure to catastrophic losses, which regulators say should help keep the market stable.

### Takeaway

For homeowners and businesses, these changes mean more choices may soon return to the market.

Prices will likely vary more widely depending on location and wildfire readiness, but insurers may start competing again to write policies in parts of the state where coverage has been scarce.

# Litigation, Huge Verdicts Drive Insurance Rates

COMMERCIAL AUTO insurance companies continue to post steep losses for liabilities like third-party injuries and property damage, which is driving continued rate hikes for businesses, particularly fleet operators, according to a new report from A.M. Best.

The line posted its 14th consecutive year of underwriting losses in 2024, with liability coverage alone accounting for \$4.5 billion in red ink. Those losses were slightly offset by physical damage coverage (part of a comprehensive package), which logged a \$1.5 billion underwriting profit for the industry last year.

As losses mount, some commercial auto insurers have left the market and those that remain have tightened underwriting standards, making renewals and securing new policies more difficult.

Commercial auto renewal rates jumped 8% in the second quarter of 2025 from the same period the year prior, according to Ivans Insurance Services. Even businesses with few claims are seeing significant rate hikes and tighter underwriting, meaning no organization can escape the growing exposure in case one of their drivers is in an accident.

## What's driving the trend

**Social inflation and nuclear verdicts** – Courts are awarding increasingly larger jury verdicts, and plaintiffs’ attorneys are more aggressively pursuing cases and pushing for trials over settlements, emboldened by favorable outcomes. This has led to more frequent and severe claims that outpace rate increases.

As well, third-party litigation funding is becoming more common, with external investors bankrolling lawsuits in exchange for a share of the settlement.

**Vehicle repair costs** – Modern vehicles are packed with sensors, cameras and advanced safety systems. Repairs require specialized parts and skilled technicians, many of whom are in short supply. The imbalance between demand and available workers has pushed labor costs higher.

**Longer repair times** – Parts shortages and limited repair shop capacity have stretched out repair timelines. The longer a claim stays open, the greater the legal exposure and ultimate settlement cost, according to A.M. Best, which estimates the commercial auto insurance industry to be under-reserved by \$4 billion to \$5 billion.

**Driver shortage** – As more experienced drivers retire, the labor crunch has meant fewer available drivers and more newbies, which can strain operations and increase risks.

## More firms go to specialty insurers

Many traditional “admitted” carriers are pulling back from commercial auto risks. That has forced some businesses to turn to the excess and surplus market for coverage.

E&S carriers historically focused on unusual or higher-risk accounts that standard insurers avoided. But today, even businesses with relatively typical auto exposures are finding themselves placed with E&S carriers. These premiums are usually higher, and terms can be stricter.

## What you can do

**Focus on safety:** Instill a strong safety culture from the top down and invest in driver training. Require all drivers to check their vehicles before each shift and leverage telematics to track driver behavior.

**Stay proactive with repairs:** Build relationships with qualified repair shops to reduce downtime.

**Work closely with us:** We can explore options across both admitted and E&S carriers to ensure you have the right protection at a competitive rate.

**PLAN AHEAD. CALL US BEFORE YOUR POLICY IS SLATED TO RENEW.**



# Dealing with an Inspection After Employee Complaint

OSHA WILL inspect a workplace for a variety of reasons, including following a worker injury and always after a worker's death.

Inspections may also occur randomly or as part of a program aimed at a particular industry that OSHA has decided to target. Another way an inspection may occur is if an employee contacts the agency to complain about possible safety violations.

However, complaints may or may not result in an inspection of your workplace based on certain conditions, including the timing of the complaint by a worker. Here's the process, what to expect if you are notified of a complaint and how to best respond.

## Criteria for complaints

A current employee or employee representative must submit a written, signed complaint with at least one of the following criteria for it to be considered by OSHA:

- Enough details to help OSHA assess whether the employer is violating its safety regulations or there is an imminent danger of physical harm to employees.
- Alleges that the worker was injured or made ill by a hazard that is still present in the workplace.
- Claims an imminent danger to workers.
- Concerns a firm in an industry that is part of an OSHA emphasis program or a high-hazard industry that is the focus of such a program.
- Is against an employer that has been cited in the past three years by OSHA for egregious, willful or failure-to-abate citations.
- Is against a facility that is scheduled for or is currently part of an OSHA inspection.

If any of the above criteria are met, OSHA may choose to conduct an on-site investigation or an investigation that includes sending the employer a questionnaire to determine if it is complying with its safety regulations.

If any of the above conditions are not met, OSHA may make a complaint inquiry by phone or e-mail.

## How a complaint inquiry works

If, for example, one of your staff contacts OSHA to complain that you are not using proper lockout/tagout procedures when cleaning machinery, the agency would likely contact your company.

It would tell you about the alleged hazard and ask that you assist in determining whether a hazard or violation exists.

During that first point of contact, the agency would ask that:

- You promptly investigate to see whether the violation exists and, if it does, abate the hazard to ensure employee safety and regulatory compliance.
- After investigating, document your findings and detail what corrective action you took or are undertaking.
- You post a copy of the complaint letter from OSHA in a conspicuous area so that all your employees can see it.

OSHA usually requires that you respond with the findings of your internal investigation report and any mitigation actions taken within five business days of being contacted by the agency.

If you don't respond to the initial contact, do not provide a report within five days or if OSHA deems your response inadequate, it may then decide to inspect your facility.

OSHA will also provide a copy of your response to the complainant. If the employee thinks you have not made the corrections or have not been honest with OSHA, they can ask the agency to inspect the site.

## The takeaway

Employers should treat these letters seriously by providing a thorough and timely response. The response should address each allegation contained in the complaint, explaining the absence of the alleged hazardous condition or setting forth remedial measures already taken or in progress to address legitimate safety concerns.

Where appropriate, the response should include photographs, vendor invoices or other documentation to confirm representations made in the response. The source of the complaint is usually not relevant and should not be emphasized. Resist the urge to disparage the complainant, and whatever you do, do not seek out the complaining employee and retaliate.



If you have any questions regarding any of these articles or have a coverage question, please contact your broker at:

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