Guidewire Optimistic About New Direction of California Insurance

September 24, 2023

California is highly insurable provided the right regulations are in place – and the right risk analytics and data are employed

SAN MATEO, Calif.--(BUSINESS WIRE)--Sep. 24, 2023-- Guidewire (NYSE: GWRE) provided a public statement today regarding Governor Gavin Newsom's executive order and the California Department of Insurance Commissioner Ricardo Lara's proposal which seeks to ensure the viability of the state's insurance market.

"California's insurance crisis calls for collaboration between government regulators and insurers to create a sustainable insurance market – one that provides consumers protection and choice," said Guidewire CEO Mike Rosenbaum. "This is particularly critical in a market grappling with the impacts of climate change and severe wildfire risk. We applaud the actions of California Governor Gavin Newsom and Insurance Commissioner Ricardo Lara in their efforts to adapt regulations to support a more viable insurance market."

"Despite current challenges, the state of California is *highly insurable.* Guidewire HazardHub data shows that more than 90% of the property damage in California is concentrated in just 10% of the state which rates as an F for wildfire risk. Homes in these areas are 50 times more likely to suffer wildfire damage. With the right regulatory structure and the right data and risk analytics, insurers can more accurately identify, price, and account for risk at the individual property level and the portfolio level," continued Rosenbaum.

According to HazardHub data, with an average of 8,273 wildfires per year, California is the state most prone to wildfire risk. Over the past decade, the state has seen an average of 933,000 acres burned yearly by wildfires.

California is the nation's largest P&C market with more than $11 billion in homeowners and fire insurance premiums written. Twelve insurers account for 85% of the insurance coverage in the state and seven of these insurers have left the state or limited new policies in the market.

In a significant development designed to address this crisis, the California Department of Insurance has announced its intent to allow insurers to incorporate the cost of reinsurance into their rate calculations. Historically, the inability to account for reinsurance costs had posed a significant risk and cost to insurers – and as those costs and risks rose, insurers began to exit the market.

The proposal also permits insurers to assess catastrophe risk using forward-looking projections supplied by risk models. This progressive approach recognizes that the current reliance on historical data is becoming increasingly outdated given climate change and urban expansion into high wildfire risk areas.

"These proposals to permit insurers to price catastrophe risk with forward-looking projections will be a game changer in improving market conditions. The current requirements that rely solely on historical data are outdated in a time when weather and natural catastrophe events are changing rapidly," said Roger Arnemann, General Manager & SVP, Guidewire Analytics.

Traditional insurance risk assessment tools struggle to accurately identify and differentiate risk in wildfire-prone areas. Many insurers rely on these outdated technologies that look at wildfire risks based on just a few data elements – and consider all the properties in large geographical areas as having the same risk. Some territories or zones can include entire cities, zip codes, or other census-defined areas.

"The technology and data exist to examine over thirty data elements correlated with higher wildfire risk – and to map and define that risk at the exact property address level," said Arnemann. "HazardHub provides insurers with the comprehensive data that allows them to assess and underwrite property risk profitably."

About Guidewire HazardHub

Guidewire HazardHub is the most comprehensive set of property risk data, casualty risk data, and hazard risk scoring in the P&C insurance industry. HazardHub models complex natural and manmade phenomena to drive decisions that benefit insurers and insureds. More than 200 insurers, reinsurers, brokers, MGAs, and insurtechs use our data to underwrite faster, underwrite more accurately, and to aid and improve pricing. For more information, please visit https://www.guidewire.com/products/hazardhub.

About Guidewire Software

Guidewire is the platform P&C insurers trust to engage, innovate, and grow efficiently. We combine digital, core, analytics, and machine learning to deliver our platform as a cloud service. More than 540 insurers in 40 countries, from new ventures to the largest and most complex in the world, run on Guidewire.

As a partner to our customers, we continually evolve to enable their success. We are proud of our unparalleled implementation track record, with more than 1,600 successful projects, supported by the largest R&D team and partner ecosystem in the industry. Our marketplace provides hundreds of applications that accelerate integration, localization, and innovation.

For more information, please visit http://www.guidewire.com/ and follow us on X (formerly known as Twitter) and LinkedIn.

Note to Editors: Guidewire executives are available for interview and comment. Guidewire can also provide data on the California market and maps of the high-risk wildfire areas in the state.

NOTE: For information about Guidewire's trademarks, visit https://www.guidewire.com/legal-notices.

View source version on businesswire.com: https://www.businesswire.com/news/home/20230924591552/en/

Diana Stott
Director, Communications
Guidewire Software, Inc.
(650) 781-9955
dstott@guidewire.com

Melissa Cobb
Senior Public Relations Manager
Guidewire Software, Inc.
(650) 464-1177
mcobb@guidewire.com

Source: Guidewire Software, Inc.