



News

Spencer Kook Analyzes California's Largest Insurance Regulatory Reform in 30 Years

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In a recent analysis by *Law360 Insurance Authority*, Hinshaw partner Spencer Kook discussed California's new reinsurance regulation—the Net Cost of Reinsurance in Ratemaking Regulation (NCOR)—which will require insurers to increase coverage in wildfire-prone areas. It also marks the first time California has allowed the incorporation of reinsurance costs into insurance rates. Kook noted this marks the state's first substantial insurance reform in 30 years.

Traditionally, California's status as a prior approval state, meaning rates used for most lines of insurance must be approved prior to use, has not been a significant obstacle to the insurance industry. However, Kook noted, "there's now reason to question that," so the Department of Insurance is "rightfully reexamining all things rated insurance-related, including the importance of considering reinsurance costs for prudent rates."

Responding to concerns over increased rates, Kook said, "[I]t's true this regulation allows for the consideration of additional costs, but in the long run and possibly also in the short run, allowing insurers to account for the cost of reinsurance should help make it more feasible for carriers to come back into the market. He added that the regulation could offer policyholders more options and potentially better rates due to improved efficiencies.

Finally, Kook noted that property owners may need to look beyond the Department of Insurance for risk solutions, including enhancing the resilience of their properties. He concluded, "The fact that there's been a lot of development in areas that are exposed to wildfire risk and the fact that there's inflation and increased costs to repair a lot of these things are systemic issues that need to be addressed by a larger consortium of individuals, groups and the government."

[Read the full article](#) (*subscription may be required*).

- ["Reinsurance Plan Spurs Mixed Feelings As Fires Spread"](#) was published by *Law360 Insurance Authority* on January 9, 2025.

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