

Navigating the California's Fire Insurance Challenges

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Photo: Insurance Institute for Business and Home Safety

What happened to California's insurance market?

- The California insurance market has been and continues to be vulnerable to large-scale natural disasters
- Stability was created with earthquake insurance when it was separated from a homeowners policy
- The 2017 and 2018 wildfire seasons were a real wake-up, coupled with hurricane and tornado impacts in the USA
- Created a concern for climate-related changes and instability

Proposition 103 (1988)

- Aim to provide **consumer protection** and rate stabilization
- Established the **California Insurance Commissioner** and gave authority to approve **rates** for property and casualty insurance
- Enabled “**intervenors**” or members of the public to witness and participate in insurance reviews

FAIR Plan (1968)

- Established following the riots and brush fires in Southern California
- Insurance plan of “**last resort**”
- FAIR Plan is the association of all insurers “admitted” to conduct business in California and costs are distributed among the carriers
- Provides **fire** insurance
- 3% of all insurance plans in California and has seen tremendous growth. Exposure and liability increasing.

Working with the Fair Plan- Two policies



Wildfires are increasing in size and intensity

In the last 10 years in California.....

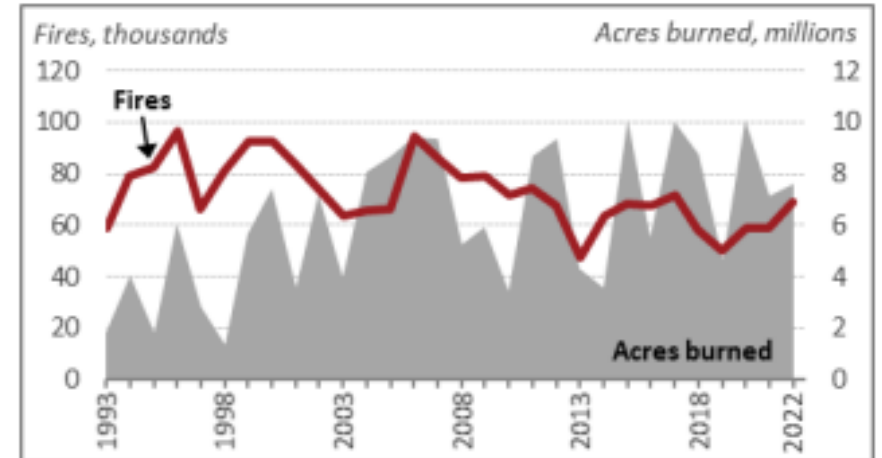
- **1 of every 8 acres has burned**
- **Over 43,000 structures have been destroyed**
- **173 lives have been lost**



Wildfires and home loss continues



Figure 1. Annual Wildfires and Acres Burned, 1993-2022



Source: NICC Wildland Fire Summary and Statistics annual reports.

Note: Data reflect wildland fires and acres burned nationwide, including wildland fires on federal and nonfederal lands.

Source: <https://sgp.fas.org/crs/misc/IF10244.pdf>

Wildfire Protection Strategies

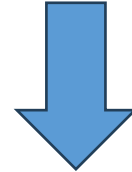


Insurance Landscape and Terms

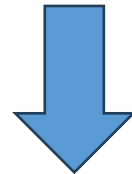
International in scale

California Insurance
Commissioner
admits and regulates
insurance carriers

Reinsurance Companies



Insurance Companies



Policy holders

Insurers Demands

- Pass through of reinsurance rates (25-40% costs for last several years)
- Have consumers take on a share of the liability of the FAIR Plan
- Use forecasting models, or catastrophe models, to help inform rates
- Accelerate rate filling approvals

Sustainable Insurance Strategy 2024

How Will it Benefit the Market and Consumers?

This strategy enhances insurance access, fairness, and resilience for both the market and consumers.

- **Increasing Insurance Availability and Access:** The strategy seeks a commitment from insurance companies to write a minimum of 85% of their statewide market share in wildfire distressed areas identified by the Insurance Commissioner. This ensures that insurance remains available, especially for homeowners in high wildfire-risk regions.
- **Decreasing FAIR Plan Policyholders:** Priority is given to homes and businesses that mitigate wildfire risk by following the Insurance Commissioner's "Safer from Wildfires" regulation, facilitating a return to the open market and increasing options for consumers.
- **Allowing Catastrophe Models and Mitigation:** The strategy incorporates new catastrophe models that consider mitigation and hardening requirements, leading to more accurate risk pricing and offering discounts to consumers. This means more accurate rates for all Californians so they don't pay more than they should.
- **Modernizing the FAIR Plan:** By expanding commercial coverage limits to \$20 million per structure, the strategy addresses coverage gaps, benefiting homeowner associations (HOAs), affordable housing, and infill developments.

Safer from Wildfire

California Department of Insurance



RICARDO LARA
Insurance Commissioner

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Safer from Wildfires

Safer from Wildfires is an interagency partnership between Insurance Commissioner Ricardo Lara and the emergency response and readiness agencies in Governor Gavin Newsom's administration to protect lives, homes, and businesses by reducing wildfire risk.

With California experiencing devastating, climate change-intensified wildfires, homes and businesses need insurance they can rely on. Commissioner Lara is using every tool available to improve insurance for our communities. Drawing on the direct experience of first responders and the latest research on wildfires, the partnership created a consistent approach to reducing risk with a list of achievable and effective actions to help make existing homes and businesses safer from wildfires. The ultimate goal is protecting consumers by reducing wildfire risk in their communities, making insurance available and affordable for all Californians.

This "ground up" approach for wildfire resilience has three layers of protection — for the structure, the immediate surroundings, and the community — to prevent wildfires from catching and spreading to other homes and businesses in the neighborhood.

Commissioner Lara is working to increase available incentives for wildfire safety. [Click here to view the list of insurance companies currently offering discounts.](#)

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Safer from Wildfires in   

1 Protecting the structure



- Class-A Fire rated roof
- Maintain a 5 foot ember-resistant zone around a home (including fencing within 5 feet)
- Noncombustible 6 inches at the bottom of exterior walls
- Ember and fire-resistant vents (See Low-Cost Retrofit List, and Chapter 7A)
- Upgraded windows (Double paned or added shutters)
- Enclosed eaves

2 Protecting the immediate surroundings



- Cleared vegetation and debris from under decks
- Removal of combustible sheds and other outbuildings from the immediate surroundings of the home, to at least a distance of 30 feet
- Defensible space compliance (including trimming trees, removal of brush and debris from yard, and compliance with state law and local ordinances)

3 Working together as a community



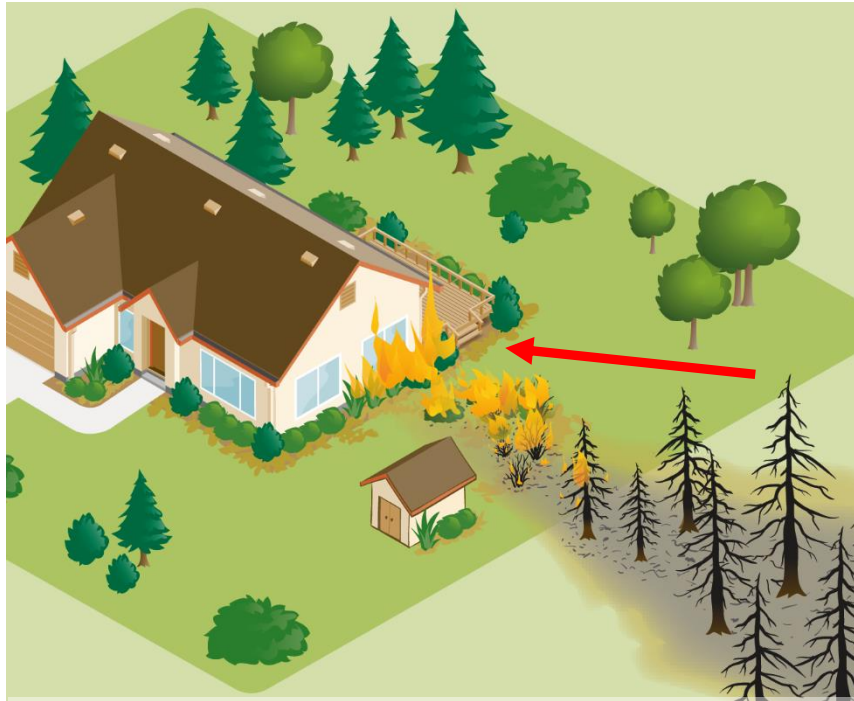
- A community should have clearly defined boundary and a local risk assessment in consultation with the local fire district or state fire agency; an identified evacuation route, cleared of vegetative overgrowth, and evacuation plan contingencies; clear funding sources to implement community mitigation activities and meet clear risk reduction goals; and integrated and up-to-date local planning documents pertinent to community wildfire risk.
- Current examples include the Fire Risk Reduction Community designation under development by the Board of Forestry, Firewise USA communities in good standing, and Shelter-in-Place designations.

Rates and availability

- Starting, but slow. Expect to see impacts in 2025
- **BUT THERE IS A LOT YOU CAN DO!**

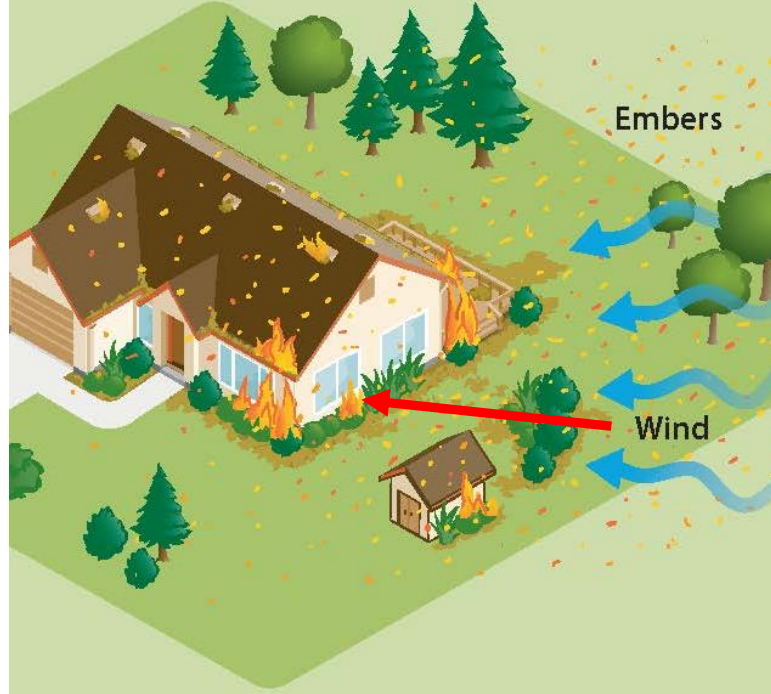
Pathways for wildfire

Direct flame contact



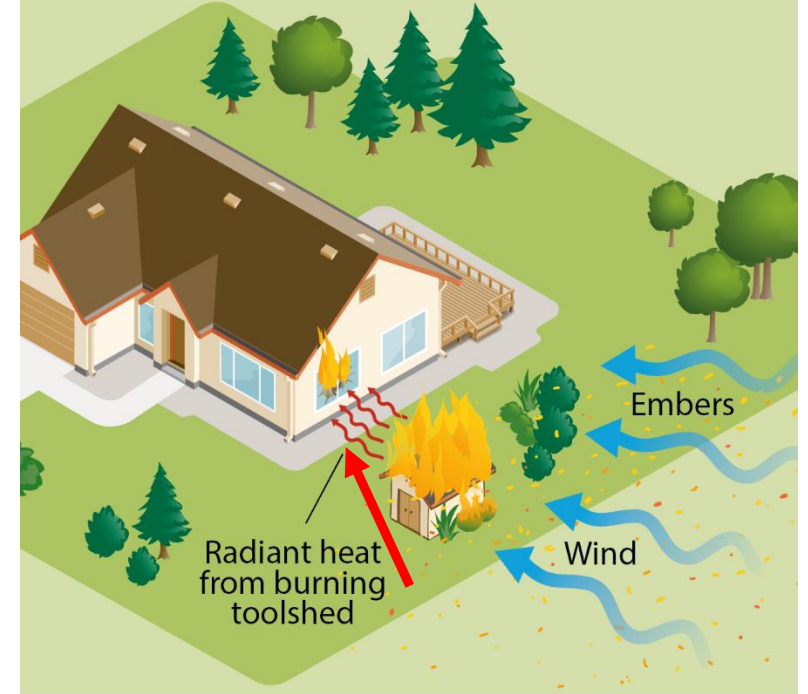
Defensible space implementation interrupts **fire pathways** and reduces the potential for direct flame contact

Embers

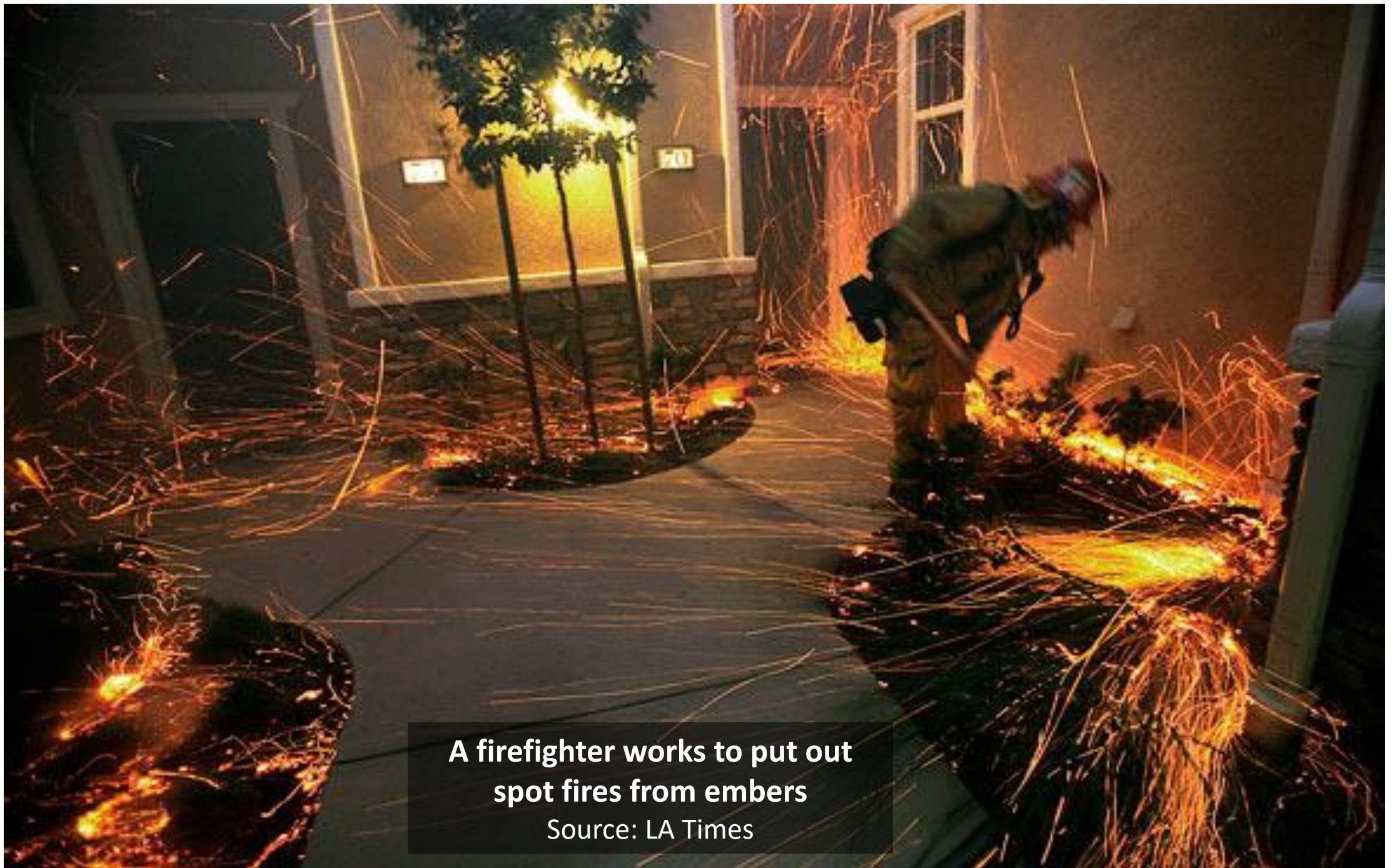


Home hardening with **defensible space** can help mitigate ember exposure

Radiant heat



Home hardening and fuel reduction can address potential radiant heat exposure



**A firefighter works to put out
spot fires from embers**

Source: LA Times



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Home loss is predictable until we make changes

Roof-to-wall



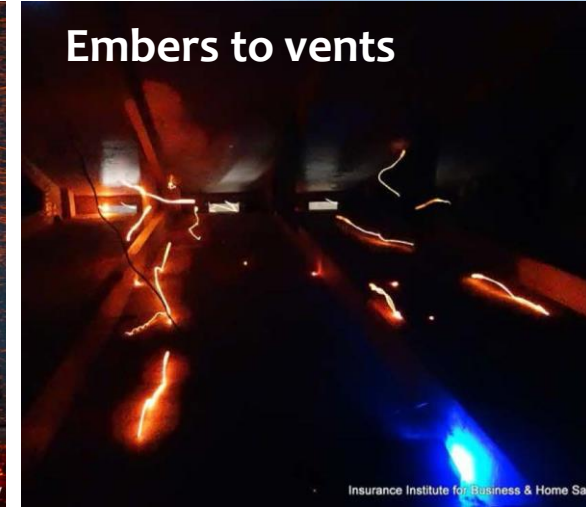
Fence to house



Rain gutter to roof edge



Embers to vents

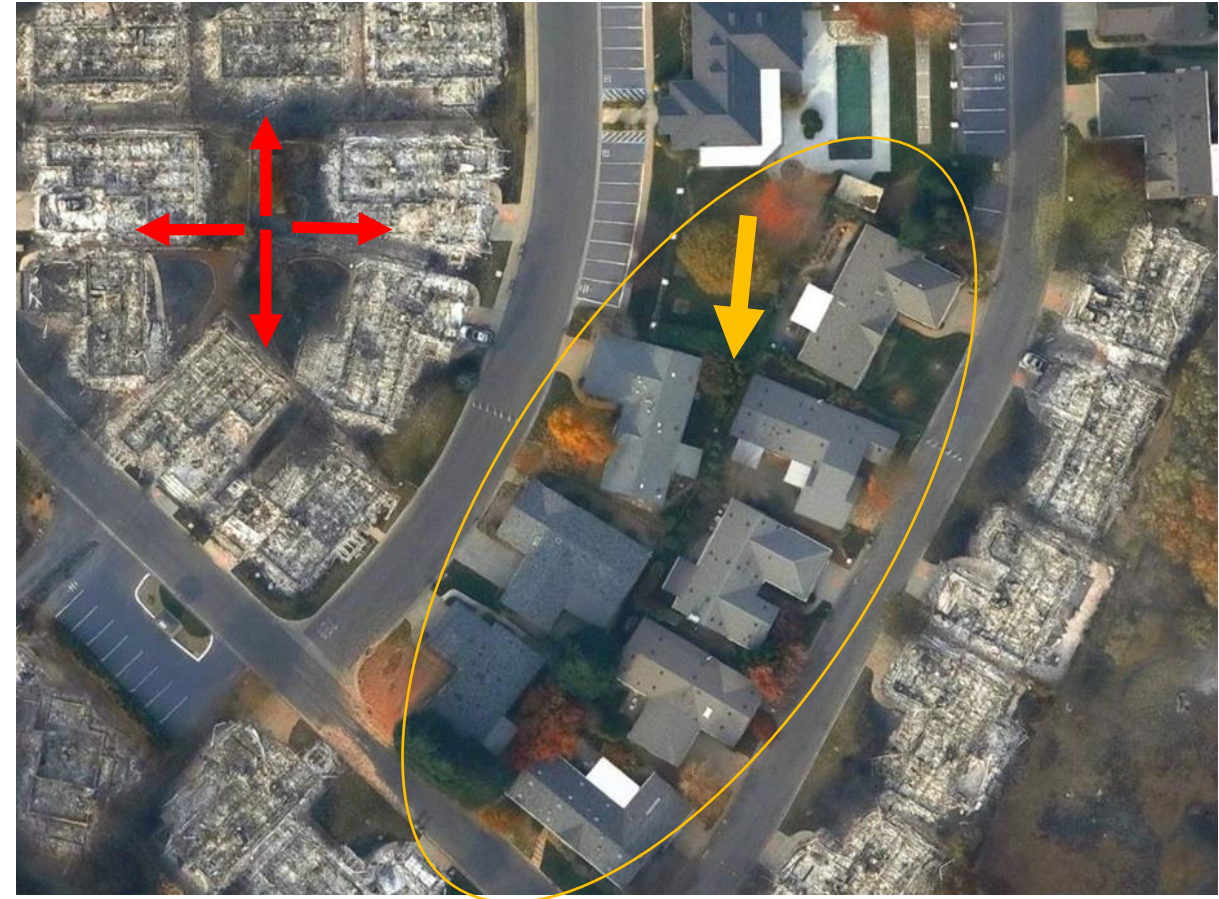


Home hardening makes a difference

- ✓ **New construction-** California Building Code for homes in the WUI
- ✓ **Existing buildings-** need incentive programs
- ✓ Need programs to assist the **most vulnerable**

Neighborhoods requires community solutions

73% of homes were ≤ 18 m of a destroyed structure



2018 Camp Fire, Paradise, CA

Photos courtesy: Deer Creek Resources and WaldoAir

Knapp, E.E., Valachovic, Y.S., Quarles, S.L. et al. Housing arrangement and vegetation factors associated with single-family home survival in the 2018 Camp Fire, California. *Fire Ecology* 17, 25 (2021). <https://doi.org/10.1186/s42408-021-00140-0>



Photo: Insurance Institute for Business and Home Safety



Fire fighter response prevented additional spread

Structure defense and the reduction in wind speeds saved these condos

- ✓ **Annealed glass** windows failed from radiant heat.
- ✓ Glass in sliding glass doors were **tempered**



Photo: Insurance Institute for Business and Home Safety



Broken window and damaged vinyl blinds

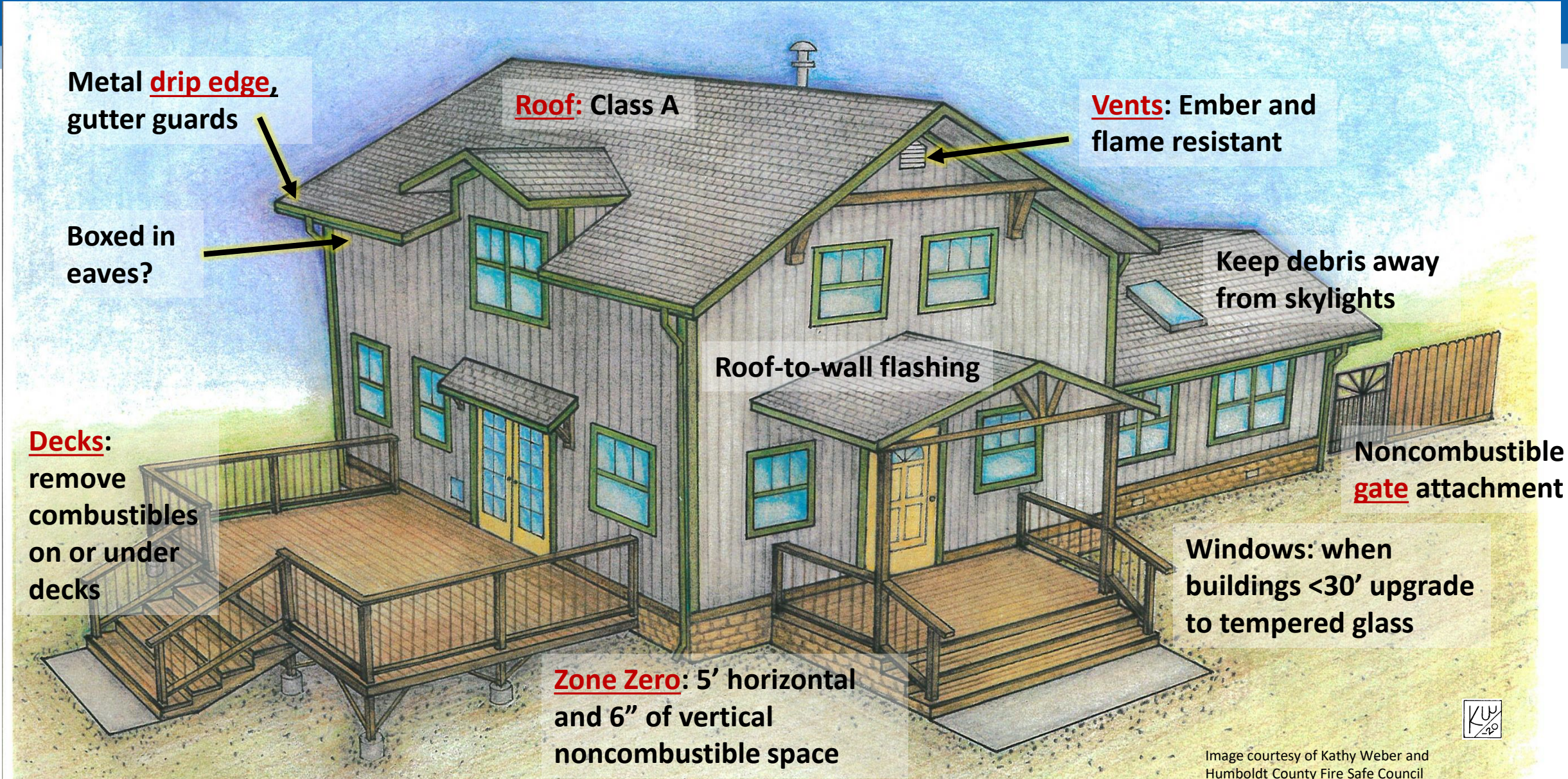


Embers to vegetation to vent



Embers to plant to soffit

Home hardening priorities



Key actions to mitigate risk

- Make a home **attractive to underwrite** (defensible space and home hardening) and lower your fire score
 - Document mitigations
 - Learn more about the AB 38 disclosure process (defensible space and home hardening)
 - Low-cost retrofit list: https://osfm.fire.ca.gov/media/p0elt0sp/low-cost-retrofit-list-update-2_17_22.pdf
- Have an **Independent assessment**
 - Department of Insurance- Safer from Wildfire Program (discount program)
 - Insurance Institute for Business and Home Safety- Wildfire Prepared Home
- Seek a **Fire Wise** Community designation

Where to get help

- California Department of Insurance www.insurance.ca.gov
- United Policyholders www.uphlep.org
- California FAIR Plan www.cfpnet.com
- Independent Insurance Broker- find someone who represents multiple insurers

- Low-cost retrofit list: https://osfm.fire.ca.gov/media/p0elt0sp/low-cost-retrofit-list-update-2_17_22.pdf

Resources

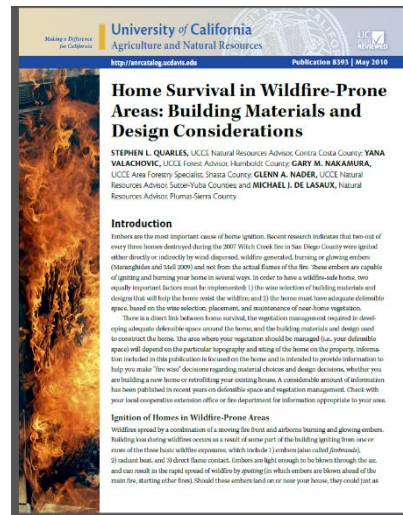
- <https://ucanr.edu/sites/fire/>
- <https://disastersafety.org/wildfire/>
- <https://www.nfpa.org/Public-Education/Fire-causes-and-risks/Wildfire/Firewise-USA/Firewise-USA-Resources/Research-Fact-Sheet-Series>
- <https://firesafemendocino.org/homehardening/>
- http://www.readyforwildfire.org/wp-content/uploads/Wildfire_Home_Retrofit_Guide-1.26.21.pdf
- <https://www.firesafemarin.org/>
- <https://humboldt.gov.org/2468/Fire-Safety-Resources>

CA Building Code Chapter 7A WUI construction

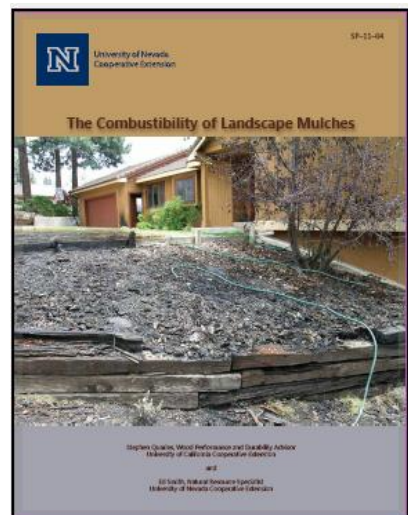
- <https://osfm.fire.ca.gov/divisions/code-development-and-analysis/wildfire-protection/>
- <https://calfire.govmotus.org/BMLSearch/Index>



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