

RICARDO LARA

INSURANCE COMMISSIONER

California Department of Insurance

Notes – Santa Cruz Informational Town Hall on Wildfire Preparedness and Non-Renewal Insurance

Wednesday, August 5, 2020

One of the most important lessons we have learned since the 2017 North Bay Fire Season is that we must be prepared to keep our families and communities safe. It is imperative for you to have up to date information on services and resources. This informational town hall was organized by Santa Cruz County Supervisor John Leopold and Supervisor Bruce McPherson with a focus on wildfire preparedness and non-renewal insurance. CA Insurance Commissioner Ricardo Lara and Assemblymember Mark Stone are invited guests to give valuable information and resources to the community.

Participants:

- Santa Cruz County Supervisor John Leopold, District 1
- Santa Cruz County Supervisor Bruce McPherson, District 5
- Assemblymember Mark Stone, Assembly District 29
- CA Insurance Commissioner Ricardo Lara

Santa Cruz County Supervisor John Leopold, District 1

- Santa Cruz County Supervisor John Leopold represents district #1 in Santa Cruz County
- With the effects of climate change we are at greater risk for wildfire, especially in the rural and wildfire interface.
- There is great work that has been done in district 1 and Santa Cruz County. We've established a county wide Fire Safe Council and fire wise communities, and in the first district we are working on a huge shaded fuel break project to ensure evacuation routes.

Santa Cruz County Supervisor Bruce McPherson, District 5

- Santa Cruz County Supervisor Bruce McPherson represents district #5, heavily forested area: San Lorenzo and Scotts Valley.
- My district has some huge concerns with transportation and evacuation, and the residents are very concerns with insurance issues- some have been canceled/non-renewed and other greatly increased premiums.

Assemblymember Mark Stone, Assembly District 29

- Assemblymember Mark Stone represents the 29th Assembly District.
- This has been a long-standing issue. A number of years ago the county adopted an Urban Wildlife Interface code because there were residents getting non-renewed even then. We've always been a high fire area and we've had challenges, and now we are seeing fires across the state we are feeling very vulnerable to what the insurance companies will or won't do.
- Even though we didn't see the catastrophes that other areas did in the past few years our residents are still very concerned about the insurance companies.

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CA Insurance Commissioner Ricardo Lara:

- “Thank you, Supervisor McPherson and Supervisor Leopold, I am happy to join you today as we talk about wildfire preparedness and non-renewals, share resources for small businesses and give you and your constituents an update on the work we have been doing on their behalf.
- Since the Governor’s “stay at home” order was issued in March, we have also held over 30 tele-town halls focused on business issues like business interruption insurance and workers’ comp -- and reached more than 7,000 businesses and consumers on COVID-19 related issues.
- Like COVID-19, the reality is that wildfires are a statewide problem – and the fires that we have seen this year are reminder that the wildfire season is already here, whether we are ready for it or not. CAL FIRE and other agencies have responded to thousands of fires already this year – in nearly every county including Santa Cruz County.
- We held a town hall with CAL FIRE, the Governor’s Office of Emergency Services, and the consumer group United Policyholders earlier this month to talk about preparation – and you can find the link to listen to that on our website, <http://www.insurance.ca.gov/01-consumers/105-type/95-guides/09-comm/Fire-Preparedness.cfm>

WILDFIRE ACTIONS

- If we have another wildfire season that damages and destroys homes and businesses, my Department will be there to help you recover. After the devastating Tubbs and Camp Fires, we organized insurance workshops where we met one-on-one with wildfire survivors.
- For the 2017 and 2018 wildfires – as well as the 2018 fire-related Montecito mudslide, the Department of Insurance intervened and was able to recover more than 240 million dollars for wildfire claimants. The California Department of Insurance recognizes that homeowners — especially in the WUI — are experiencing:
 - Non-renewals – With a 600% increase in complaints to the Department since 2010.
 - Premium Increases - With more than 268 rate increases filed by insurers from 2017- July 2020.
 - Lack of available insurance in the traditional homeowners and renters market.
 - FAIR Plan coverage that is not as comprehensive as traditional homeowners’ insurance.
- 10 of the 20 most destructive wildfires in California’s history occurred between 2015 and 2018. As risk increases, the cost of insurance also increases and the availability of coverage decreases.
- Insurers consider the very recent past to underwrite and to determine rates for the future – with \$25 billion in losses in 2017-2018. That is why we are seeing insurance companies request increased rates. The best way to increase availability and affordability of homeowners’ insurance is to decrease the risk of loss.
- This includes looking at where we build and investing in pre-disaster prevention and mitigation efforts including:
 - Building Codes
 - Fire Resistant Modifications
 - Land Use Planning
 - Community-wide Abatement
 - Defensible Space

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- Enhanced Infrastructure
- Wildfire Sensors
- I believe insurance companies need to do more to support mitigation efforts at the local level. I have sponsored legislation that would require insurance companies to cover a fire-hardened home in a fire-hardened community.
- Before my election as Insurance Commissioner in 2018, I proudly authored Senate Bill 824, which gives protection against insurance non-renewals to everyone living in or near the perimeter of a declared wildfire emergency. Last year, I put that new law into effect for the first time.
- Now there are more than 1 million homes in 180 zip codes that are protected until December 2020 from a nonrenewal. You can find the whole list of zip codes on our website: insurance.ca.gov.
- If we have a state-declared disaster in Santa Cruz County this year and beyond, the new law will protect you from non-renewals for a year as well.

COVID-19 ACTIONS

- Before we jump into questions we received about wildfire insurance, I would be remiss not to mention several actions I have taken to protect policyholders during the COVID-19 pandemic.
- Because of stay at home orders, we have seen fewer accidents on the roads and fewer insurance losses at businesses. I ordered insurance companies to return a portion of premiums to businesses and drivers affected by the COVID-19 pandemic. Because of my order, California automobile insurance companies have provided \$1.2 billion in savings to drivers.
- We are still reviewing the premium relief to businesses. For maximum transparency, I have posted every insurance company's report about their premium relief to the Department of Insurance. If you want to see what your insurance company is doing, you can visit insurance.ca.gov to see the list.
- This builds on an action I took to request insurance companies give consumers a grace period to pay premiums. Many insurance companies have honored that request by offering flexibility to consumers and businesses during the COVID-19 emergency. Other actions I have taken to protect consumers and businesses include:
 - Requiring insurance companies to comply with their contracts and California law by fairly investigating business interruption claims.
 - Extending personal auto coverage for delivery drivers for California's essential businesses.
 - I also took action so people with expired license or registration can maintain their auto insurance while access to the DMV is limited.
 - I joined with Covered California in urging uninsured Californians to obtain insurance to protect their health.
 - Directing health insurance companies to submit emergency plans on prescriptions and health access- including increased telehealth access for consumers.
 - Eliminating cost-sharing for COVID-19 testing.
- I encourage you to contact the Department at 800-927-4357 or by visiting our website at insurance.ca.gov if you have any questions in regards to any of these measures or if you want one of our experts to help review your insurance coverage.

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FRAUD

- I want to urge all businesses to be on the lookout for fraud and insurance scams – unfortunately during these times is when you see businesses targeted for fraud. If you see any red flags or suspicious activity, please report it to the Department of Insurance. We have 300 sworn investigators and enforcement personnel, with 9 regional offices – including an office in Morgan Hill that serves Santa Cruz County.
- I would also tell businesses to be on the alert for those offering bogus workers' compensation policies. Verify the legitimacy of the selling agent and the policy offered. Verify the agent's license on our website and contact their insurance company directly to verify the policy. And report any issues to my Department at 800-927-4357.
- While a majority of our staff are teleworking in support of the Governor's "stay at home" directives, we continue to provide essential services for California consumers and we are available via phone at 1-800-927-4357 and through our website – insurance.ca.gov -- to assist you with your questions and claims.
- Insurance can be complicated. We can help you and guide you through this process. We have insurance experts ready to help and answer your questions in multiple languages. You can talk to an actual person – not just a recording. I look forward to answering your questions."

Question and Answers

Question 1: (Assemblymember Mark Stone) What is preventing us from having an affordable public option for disaster insurance?

We have a healthy market in California. Many people don't know but California is the largest insurance market in the country, fourth in the world, and one of my jobs is to monitor the solvency of our market and make sure it's strong. With a public option for disaster insurance the state would need to take on that risk, and especially with COVID19 we don't have the money to take on that risk. If we were to put all of the riskiest properties in one pool we wouldn't be able to individually finance it as a state.

We are still looking at creative options and right now, I am focusing on mandates for the insurance companies so that our consumers don't bear the brunt of the cost.

Question 2: (Assemblymember Stone) In the "Top Ten Tips for Finding Residential Insurance" distributed by the California Department of Insurance, the text states "The Department of Insurance doesn't have the legal authority to tell insurers what level of risk they must write or where they must write insurance."

However, after the recent devastating fires, the Commissioner mandated a moratorium on homeowner insurance cancellations in the affected areas -- but not in all areas of California. So why must a community or county suffer a catastrophic fire before the Commissioner takes action, while areas that have so far been spared from wildfire destruction are not protected from arbitrary and capricious cancellations and non-renewals?

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When I was working on Senate Bill 824, which gives protection against insurance non-renewals to everyone living in or near the perimeter of a declared wildfire emergency, I designed it to help as many people as possible. Last year, I put that new law into effect for the first time. More than 1 million homes in 180 zip codes are protected until December 2020 from a nonrenewal as a result.

One way we can be more proactive is if we work together to lessen the overall community risk and mandate that insurance companies cover homes that have been hardened. We aren't asking the insurance companies to cover every home, but the home that have taken the time to protect their homes. We need to incentive homeowners to do the right thing when they are reducing their risk.

We also need to get to a point that we create a statewide standard for mitigation, because right now we have a variety of different programs that have no guarantees for coverage. We have to make sure that the insurance companies carry some responsibility, not just the homeowner.

Question 3: What are the ways that insurance companies determine fire risk? Where does that analysis live and how can the public access it?

Insurance companies initially say mitigation works and now with catastrophe models, insurance companies are pivoting and saying mitigation doesn't work. But we know it works, your fire department knows that mitigation works.

We want greater transparency. Right now, your residents are getting fire risk scores and they don't know how to mitigate the score, how to lessen the score, we don't know even know the algorithm them use to create the score. We will soon come out with regulatory changes in this area.

Question 4: (Supervisor McPherson) Are there any plans to update the Fire Hazard Severity Maps that show where the highest levels of fire risk are? Will these new maps take into account mitigation that communities have undertaken to reflect reduced risk?

According to CAL FIRE, they are in the planning process of updating the fire severity zone maps and they try to do it on a five-year cycle. A hazard typically doesn't change much, but CAL FIRE technologies for mapping for fire hazard severity zones include land use changes where cities have annexed into the State Responsibility Areas (SRA's) and also includes much more detailed wind data, down to the two-acre parcel level. It is also more spatially detailed.

Fire hazard severity maps consider factors such as: fire history, vegetation, topography, ember cast or blowing embers from a fire that would be wind driven, and the weather.

All those elements are put into CAL FIRE's modeling and what comes out of that is the probability of an area burning and the expected fire behavior or intensity of that burning. That information is mapped into different categories of hazards: very high, high, and moderate.

However, these do not take into account mitigation efforts that communities are taking. It simply is a hazard map, kind of like a flood zone map. It tells you what the hazard is, not the risk – it is not really a risk modeling type of map. We need to get to a point where we can take into account the individual parcel and communities'

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mitigation to demonstrate that the risk is being lowered so incentivize insurance companies to write in these areas.

Question 5: (Supervisor Leopold) My constituent has a farm that is classified as moderate fire danger and the other portion appears to be low. They've had two insurance companies cancel their homeowners' policies and now they have AAA - who our neighbors have mentioned they are starting to cancel homeowners' policies. What choices do they have if they get canceled by a third company? How can they exactly tell what fire zone they are in?

Currently insurers use wildfire risk models that work as filters based on satellite imagery of the region that evaluates slope, fuel load, type of fuel, and access. If you don't get a passing score, you don't get coverage.

There are several versions of these risk models in use by the insurance industry. Fireline and Corelogic are the most commonly used models today but there are several others. Because each model uses different data and logic, there is no single definition of what score or rating your property will receive.

Right now, insurance companies are not required to give you the score or, more importantly, the details of how the score was derived.

I want to see greater transparency for these wildfire risk score models and the ability of the consumer to appeal their score or take steps to mitigate their score.

I would like Joel Laucher from the California Department of Insurance who is an expert on wildfire issues to share some additional information. Joel: For now, the Department of Insurance recommends that if you are non-renewed again you do a thorough search of the insurer marketplace to find a new insurer.

Our Home Insurance Finder and Top Ten Tips for Residential Coverage that are on our website might be helpful. You may also want to seek commercial coverage as a farm rather than homeowners' coverage if that improves your chances for coverage. Unfortunately, some people are unable to find coverage in the voluntary market.

As a last resort, the FAIR Plan is available to provide coverage. You are always welcome to call the California Department of Insurance for assistance.

Question 6: (Supervisor McPherson) What impact does the current status of PG&E infrastructure replacement have on insurance rates or evaluation of risk?

As many of you know, falling or arcing power lines have been the ignition point of many California wildfires. As utility companies act to harden their infrastructure by active vegetation control or surge protections or sensors or any other measures, there is a reduction in wildfire risk.

That is critical work and I am hopeful that PG&E is moving forward quickly with these efforts. As the impact of these measures take effect, we would expect to see fewer utility-caused wildfires flow into insurance loss experience, which reduces rates.

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However, even as one common ignition point is addressed, it's important to understand that, despite the utilities' history of wildfire ignition, current underwriting models focus on other concerns - particularly the density of vegetation and accessibility of properties. Essentially, that consideration is, no matter how a fire begins, what is the fuel load in the vicinity of a property and how likely is it that firefighting services can reach that property before the home burns.

I believe that even as risk models evolve to take into additional factors, these two will continue to be prominent considerations – so every effort to mitigate fuel load and harden the structure will have significant impact on risk evaluation and rates.

Question 7: (Supervisor Leopold) We have neighborhoods who are becoming Firewise and efforts are underway to create shaded fuel breaks and increase the resources for the volunteer fire departments. Can insurance rates calculate the efforts of a rural community to prepare?

Many insurers already include Firewise Community discounts in their rating plans. I encourage all insurers to implement these or similar discounts. Protection class, the rating system for measuring a community's firefighting resources, is a component of basically every insurer's rating and underwriting structure.

What isn't clear in the current risk models being used by property insurers is whether the granularity of their satellite evaluations will recognize the impact of the tactical fuel breaks that are being implemented throughout the state.

I can say that any mitigation effort that actually reduces losses will ultimately reduce insurance rates – insurance rates are largely driven by the loss experience of all homes with similar risk characteristics.

Question 8: (Supervisor McPherson) Can concerned neighbors search on your site to figure out which company insures a particular property? For example, if there is a fire hazard on an escape route and an absentee owner has not responded to local fire department notices or to Firewise Committee attempts to reach them, is it possible to find and contact their insurance company about the hazard?

People often tell me "I have mitigated my property but my neighbor hasn't done their part." Unfortunately, there is not a way to look up your neighbor's insurance provider. Local governments have the authority over land use, so they may be able to give you advice. Your local fire department may be able to assist if your neighbor is not meeting brush clearance rules or has hazardous materials.

I understand that in some communities, once a property owner has been notified of a violation, the need to mitigate is outlined, a compliance date is established, and, if the property owner fails to act (typically after multiple notices, the community fire agency or local government contracts for the mitigation work and the property owner is billed for the cost or a lien is established.

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California Department of Insurance Additional Resources

Request Assistance from the California Department of Insurance:

- <https://www.insurance.ca.gov/>
- PH: 800-927-4357

California Office of Emergency Services (CalOES)

- <https://www.caloes.ca.gov/>
- <https://myhazards.caloes.ca.gov/> (Link to MyHazards)
- PH: 916-845-8806

CAL FIRE

- <https://www.readyforwildfire.org>
- <https://www.fire.ca.gov/>
- PH: 916-568-3800

United Policyholders

- <https://www.uphelp.org/>
- PH: 415-393-9990 (Roadmap to Recovery Services)

California FAIR Plan

- PH: 800-339-4099
- <https://www.cfpnet.com/>

Fire Preparedness Information:

- PH: 707-565-8875
- <https://disastersafety.org/>
- <https://www.nfpa.org/Public-Education/Fire-causes-and-risks/Wildfire/Firewise-USA>
- <https://frap.fire.ca.gov/>