



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

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**VIA ELECTRONIC MAIL**

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**SUBJECT:** Public Notice of the Issuance of a Pre-Application Required Information Determination of Karen Clark & Company's US Wildfire Reference Model Version 3.0 (File No. PRID-2025-00004)

Dear Karen Clark & Company:

This letter is to inform you and the public that the Model Advisor has issued a pre-application required information determination (PRID) in the above-referenced matter. This PRID is part of the first round of determinations made under newly established regulations adopted in December 2024 as part of the Department's Sustainable Insurance Strategy and is valid for four-years provided that the model is not substantively updated, amended, altered, or changed.<sup>1</sup>

The PRID procedure for Karen Clark & Company's Wildfire Reference Model Version 3.0 was initiated on February 27, 2025, with the purpose of identifying a set of required model information to be publicly provided to the Commissioner as part of a complete rate application relying upon the model.<sup>2</sup> The procedure was carefully crafted to ensure in-depth review of models and the Model Advisor first scoped the procedure by creating and publicly publishing a Wildfire Catastrophe Model Checklist consisting of technical guidelines, associated disclosures of information, and information relating to how such models would be quantitatively evaluated.<sup>3</sup>

After careful review conducted over the course of several months, the Model Advisor has reviewed the model to ensure it measures up to applicable regulatory standards, which require that a model incorporate best available scientific information on risk mitigation at the property, community, and landscape scales, and use established concepts, data, equations, and principles, as well as best available scientific information and data, insurance claims expertise, and other assumptions appropriate for the risk or peril being modeled.<sup>4</sup> The Wildfire Catastrophe Model Checklist was used to guide the process of reviewing

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<sup>1</sup> California Code of Regulations, title 10, section 2648.5, subdivision (p). (All further regulatory references are to California Code of Regulations, title 10.)

<sup>2</sup> The Model Advisor allowed members of the public to petition to participate and granted participation to two organizations but both participant groups withdrew from the procedure.

<sup>3</sup> To bring structure and clarity to the PRID procedure, the Checklist is organized into various sections. The first sections are geared toward evaluating how various modules of the model operate. The second sections describe the manner in which the Model Advisor will test the model.

<sup>4</sup> Section 2644.4.5, subdivision (f)(4) and Section 2648.5, subdivision (b).

the model and the types of information requested. In identifying the set of required model information, the Model Advisor reviewed and considered confidential written model documentation from Karen Clark & Company consisting of documents on model user documentation, import and database schema, claims processing guidelines, model input logs, model output logs, installation guides, and results of test cases. Furthermore, the Model Advisor actively invited and considered input from the model vendor to ensure the appropriateness and completeness of the PRID.

Beyond written documentation, the Model Advisor held 10 regularly scheduled meeting sessions with the model vendor. Through model presentation and contemporaneous discussion, the Model Advisor reviewed the model itself, first via an overview of the model, then via a demonstration of the model from the perspective of a user, and finally via methodology deep dives on each component of the model (Hazard and Event Generation, Vulnerability, Financial/Actuarial, and Computer Information) consistent with the Wildfire Catastrophe Model Checklist. To quantitatively evaluate the model, the Model Advisor provided specific instructions and input data to validate and verify the sensitivity of the model to variables including fuels, building and parcel characteristics, and policy terms. These test cases confirmed that the results logically align with the methodology and validation results disclosed in the review and inform the required model information.

Based upon all of the foregoing and all of the confidential information received and considered throughout the procedure, the Model Advisor has specified required model information that establishes the model meets applicable regulatory standards. Consistent with governing law, such required model information shall remain confidential at this time, but shall become publicly available when an insurer submits a rate application that relies upon the model.<sup>5</sup> Any insurer relying upon this model for a rate application is expected to submit all information and data regarding a model specified in the PRID along with completed templates or worksheets with insurer-specific information and a copy of this letter. This information will be provided to the insurer by the model vendor. A copy of the material will be retained by the Model Advisor for verification purposes.

Sincerely,

/s/ Kara Voss

Kara Voss, Ph.D.  
Model Advisor  
Climate & Sustainability Branch  
California Department of Insurance

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<sup>5</sup> The required model information specified in the PRID does not become public information until or unless an insurer subsequently submits a complete rate application to the Commissioner that relies upon the model. (Section 2648.5, subdivision (d).)