

FACT SHEET: Increasing the Availability of Agricultural Insurance

Summary: In order to respond to growing concerns from farmowners, vintners, and other outdoor businesses about insurance availability following major wildfires, the Department of Insurance for the first time ever directed insurance companies to provide data in 2021. This data includes claims, losses, and non-renewals for calendar years 2017 to 2020.

The data shows that while wildfire risk and losses occur in many agricultural regions of the state, a few areas have borne the brunt of recent wildfire losses. Addressing current insurance coverage issues for businesses in these areas will help address future issues in other parts of the state.

Commissioner Lara is proposing a comprehensive solution to providing continued coverage to farmowners in the face of growing climate threats:

- Expanding and strengthening the FAIR Plan as a reliable backstop for agricultural businesses that need temporary coverage.
- Expanding the use of pre-disaster mitigation and prescribed fire to restore a competitive insurance market.

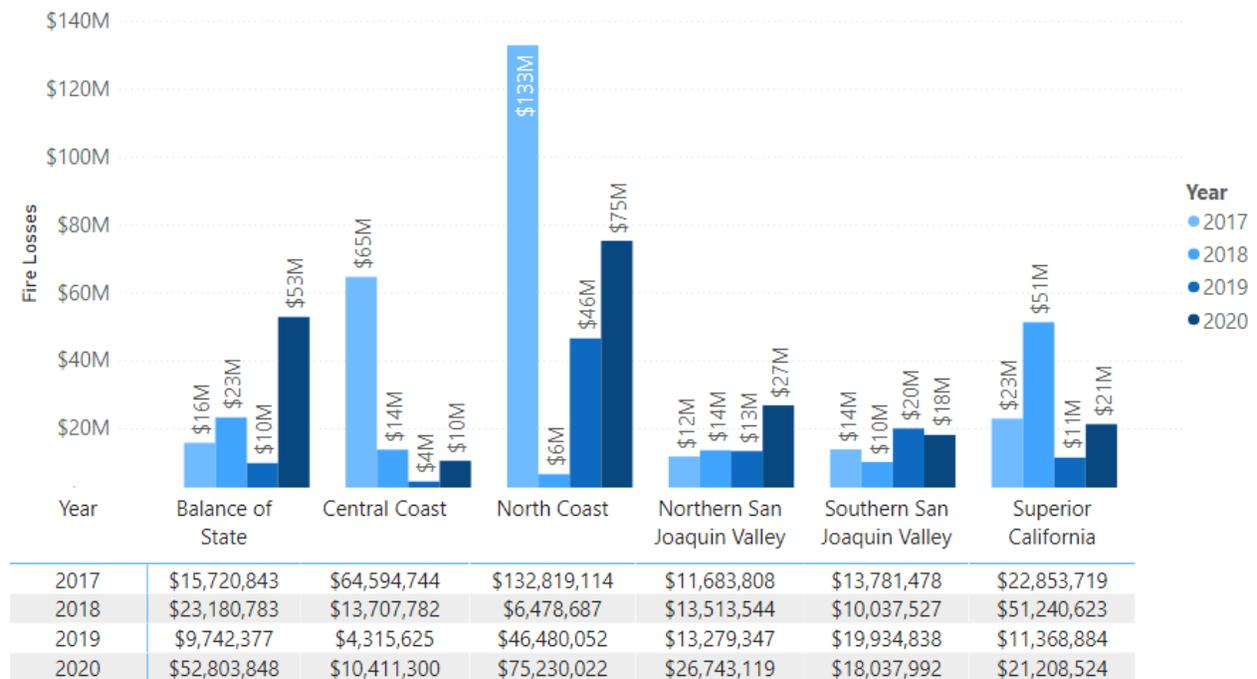
Key Commercial Agriculture, Farmowners, and Winery Findings

1. **Large North Coast fires in 2017, 2019, and 2020 caused substantial insurance losses for agricultural and farmowners businesses in Sonoma, Lake and Napa Counties.** While the North Coast represents just 8% of the state's commercial agricultural and farmowners insurance market, total incurred losses were 45% of the statewide total for those years. Wildfire losses also spiked in the Central Coast in 2017 due to the Thomas Fire and in Superior California (the area of the state north of Sacramento) in 2018, due to the Mendocino Complex and Camp Fires.
2. **Wineries and vintners experienced high losses in the North Coast.** From 2017 to 2020, only the 2018 wildfires did not result in a large number of claims and losses for North Coast winery businesses. The North Coast region is the largest of the state's wine-growing regions, with approximately 47% of all insured structures. For the years 2017 to 2020, North Coast winery losses were \$370,980,270, representing 91% of the total for all wine-making regions.
3. **Non-renewal data show volatility, with FAIR Plan policies increasing in 2020.** Since 2018, results show a higher number of annual non-renewals initiated by insurance companies for the commercial agribusiness / farmowners market. While the trend is somewhat similar for the winery market, we also saw increases in new winery related insurance policies written in 2020. Although FAIR Plan is small relative to the overall winery market, the number of new policies written in 2020 represent 13% of the total number of new policies.

- Some insurance companies covering wineries report having recently restricted underwriting criteria related to wildfire suggesting concerns for availability of insurance moving forward.** The companies that changed their requirements made up about 60% of the total winery insurance market in 2020. These requirements include requiring a certain defensible space, distance from wildland areas, or specific roof materials. Wineries that do not meet the criteria may either be considered ineligible for coverage, subject to higher premiums, or required to invest in hardening their structures to better meet the criteria. Such underwriting changes were also found in commercial agriculture and farmowners policies, where the companies that recently changed requirements make up 76% of the total commercial agriculture and farmowners insurance market.

Fire Losses for Commercial Agriculture and Farmowners

***Note:** We requested losses specifically related to the peril of fire, which includes wildfire. As such, the data presented does not reflect the total amount of loss experienced by the insurer for all perils.



Commercial Agriculture, Farmowners, and Winery Insurance
Non-Renewals

Commercial Agribusiness and Farmowners

Year	Number of New Policies	Number of Renewed Policies	Number of Policies Non-Renewed Insured-Initiated	Number of Policies Non-Renewed Insurer-Initiated
2017	5,715	57,109	3,030	1,975
2018	5,439	56,616	3,412	5,188
2019	5,805	53,992	3,306	4,858
2020	6,021	52,765	3,357	5,774

Winery

Year	Number of New Policies	Number of Renewed Policies	Number of Policies Non-Renewed Insured-Initiated	Number of Policies Non-Renewed Insurer-Initiated
2017	828	5,156	210	118
2018	803	5,085	369	169
2019	889	5,073	401	384
2020	1,330	4,968	404	616