

[Commissioner Lara proposes new transparency rules to help consumers better prepare for wildfires](#)

Lake County News

LOS ANGELES, Calif. – After hearing from many Californians about their frustration and confusion over how insurance companies rate properties for wildfire risk, on Tuesday State Insurance Commissioner Ricardo Lara proposed new rules to give homeowners and businesses open access to their properties' wildfire risk scores.

Consumers rarely know their risk scores let alone how to improve them, even though these scores are a critical factor insurance companies consider when deciding how much to charge for insurance and for which properties they will write or renew coverage.

In community meetings and town halls that Commissioner Lara held across California before the pandemic and in his virtual investigatory wildfire hearing last October, consumers described taking action to protect their homes – often at the cost of thousands of dollars out of pocket – while still seeing their insurance dropped or their premiums increased based on wildfire risk scores that few homeowners even know exist.

The new rules would require insurance companies to provide a consumer with their property's wildfire risk score, which must recognize a consumer's mitigation actions that could improve their rating, such as creating defensible space and fire-hardening, and allow time for the consumer to reduce their score.

The new regulations will incentivize mitigation and help consumers make better-informed decisions when they buy, sell, or build a home.

“I have consistently heard from consumers that many insurance companies keep them in the dark about their property’s risk profile, leading people to spend thousands of dollars cutting down trees or hardening their homes without truly knowing how it will affect their insurance,” said Commissioner Lara. “Giving consumers their wildfire risk scores and the ability to lower them will incentivize the home-hardening and community mitigation efforts already underway to better prepare us for future wildfires.”

“We can’t control the drought or the wildfire conditions that decreased insurers’ appetite for insuring homes in California wildland urban interface regions. We can control the use of the risk scoring tool that killed their appetite completely in many regions and has been a major trigger of California’s current home insurance affordability and availability crisis,” said Amy Bach, policyholder advocate and Executive Director of United Policyholders. “We applaud Commissioner Lara and his team for empowering consumers in order to restore competition in brush regions. Through today’s and previously announced actions, he is taking the multi-level collaborative approach UP has been urging that includes standardizing and incentivizing wildfire risk reduction through insurance rewards and recognizing that risk modeling tools can harm consumers when their use is not regulated.”

The commissioner’s action builds on his Feb. 8 announcement of a wildfire resilience partnership with Gov. Gavin Newsom’s administration to establish fire-hardening measures for insurance companies.

The partnership and this proposed regulation will lead to more incentives for homeowners and communities to bring down wildfire risk.

Commissioner Lara has held in-person and virtual meetings on wildfire issues in 36 counties attended by more than 10,000 people since taking office in 2019.

More than 500 people attended the commissioner’s first investigatory wildfire insurance hearing in October 2020, where many consumers spoke about their frustration and confusion at being non-renewed or seeing their premiums increase despite taking action to reduce wildfire risk.

Placer County homeowner Mark Ratermann said he received a non-renewal notice from his insurance company.

“When I asked them about it, they said ‘we’re not renewing policies in your area, unless you do these fire mitigation measures,’ so that’s what I did,” he said of spending thousands of dollars and removing 16 trees in an attempt to maintain his insurance. “And yet, with almost no communication from them, a year later they declined and said we’re not going to renew.”

Fire chiefs from across California also testified about the need for insurance companies to recognize homeowner and community mitigation efforts.

“Fires are bigger, they are burning longer, they are more destructive, and they are killing more people than ever before. And that reality is highly motivating to fire agencies whose job it is to respond and extinguish those fires. But it’s also been motivating to hundreds of thousands of people who live and work in communities both large and small all over this great state of California to do more to reduce hazards and lower their risk,” said Chief Bill Tyler of the Novato Fire Protection District and president of the Marin County Fire Chiefs Association. “Our desire is for insurers to take notice and reward communities like Marin that put in the hard work, that make the commitment, and provide them with adequate, affordable coverage for homes, homeowners, neighborhoods and communities that embrace adaptive measures going forward.”

“At the end of the day, insurability is a reflection of risk, and risk relates exactly to hazards, and hazards can be modified,” said Chief Michael Schwartz of the North Tahoe Fire Protection District. “A lot of times, the fire department and emergency services can work on those things to reduce that risk.”

In addition to the wildfire risk score regulations, Commissioner Lara announced rules to strengthen his ability to protect consumers through review of insurance company rate filings. These proposed regulation changes make clear that homeowners insurance companies are required to submit the complete information they use to determine which properties to underwrite or renew. Additionally, these changes will provide insurance companies with more upfront certainty regarding what materials and information that the Commissioner requires in filed rate applications with the California Department of Insurance, eliminating delays caused by incomplete initial rate filings from insurance companies.

Commissioner Lara will hold public prenotice workshops on March 30 on the wildfire risk score regulations, and on April 6 on the complete rate filing regulations. Following input from the public, he will

begin a formal regulatory process leading to adoption of new rules.

Commissioner Lara continues to explore the use of catastrophe modeling as a ratemaking tool following a meeting that he held on Dec. 10 if it can benefit market competition and increase insurance availability for consumers.