

Regulators unveil wildfire safety plan. Will it fix rural California's insurance crisis?

Sacramento Bee

State regulators rolled out a “Safer from Wildfire” program Monday to encourage rural residents and business owners to gird their properties as a way of fixing the insurance crisis that’s plagued the Sierra foothills and other fire-prone areas of California the past few years.

The plan unveiled by Insurance Commissioner Ricardo Lara is designed to entice traditional insurers back into rural markets by encouraging residents to retrofit their homes with fire-resilient roofs and double-paned windows, trim their trees and clear flammable debris from their yards and take other measures to “harden” their neighborhoods and communities against wildfire.

Tens of thousands of mostly-rural homeowners have been dropped by their insurance companies after a wave of mega-fires caused damages in the billions. They usually wind up paying two or three times as much for replacement coverage.

A year in the making, Lara’s plan was designed in consultation with Cal Fire, the Office of Emergency Services and other agencies, with input from the Insurance Institute for Business and Home Safety and other industry associations. “It’s based on the latest fire science,” Lara said. “It’s the risk that drives the price (and) the affordability of insurance.”

At least one consumer group rallied around the plan. Amy Bach, head of San Francisco-based United Policyholders, called the program “a really important leap forward” that could lead to more affordable insurance. As it is, there are signs the crisis is easing. Although more acres have burned in the past two years than ever, actual property damage has been relatively light. Allstate, State Farm and USAA and several other big insurers have begun offering discounts to customers who’ve hardened their properties. Allstate told regulators last year it would start taking on new homeowners’ policies in California for the

first time in 15 years. Customers are still being dropped by their carriers, but the volume of non-renewals fell by 10% in the past year.

I'll take that as a win," Lara said. That said, insurance experts and regulators agree that the problem is far from solved. And it's unclear whether Lara's plan will create the sort of breakthrough the insurance commissioner has been seeking, although initial response from the industry was favorable.

"We are pleased to see a policy that reflects robust input from so many stakeholders across the state that care about protecting homes and communities," said a coalition of insurers known as Stronger California. "Policies like these are already being implemented by many insurers, which will help us achieve the common goal of accessible insurance for all homeowners in California." California Wildfires newsletter Get the Bee's latest coverage on wildfires in our state.

Still, insurers have said that truly ending the crisis will depend in part on overhauling the system for setting premium rates. They want Lara to adopt a system known as catastrophic rating, which leans more heavily on estimates of future risks as opposed to previous losses.

Lara, though, opposes catastrophic rating. "At the end of the day (it) doesn't reduce the risk," he said.

Lara originally tried to force insurers to return to wildfire-prone areas. In 2020 he introduced a bill, AB 2367, that would have required insurers to sell coverage in areas where homeowners and communities had taken certain steps in the name of wildfire resilience. The bill died, and the insurance commissioner embarked on a lengthy study of fire risks resulting in the program outlined Monday.

Lara's program revolves in part on encouraging entire communities to reduce their risk by carving fuel breaks around neighborhoods. It also focuses on retrofitting homes to exacting codes imposed by California since 2008, which include stronger roofs and siding. An investigation by McClatchy showed that homes built to those codes were far more likely to survive the 2018 Camp Fire than older homes. The Camp Fire destroyed more than 12,000 homes.

Even if insurers are willing to resume coverage, one big sticking point could be the cost of making California safer. Mark Ghilarducci, the director of the Office of Emergency Services, said the state is releasing hundreds of millions of dollars for "community hardening" projects. But safeguarding individual

homes could cost billions — a fire-resilient roof alone can cost \$10,000 or more, and there are hundreds of thousands of homes in harm's way.

WILDFIRE INSURANCE CLAIMS EXPLODED IN 2018

The wildfire insurance problem had been building for years — and exploded after the wildfires of 2017 and 2018 cost insurers a combined \$29 billion in claims.

Carriers were eventually reimbursed about \$11 billion through a settlement with PG&E Corp., whose equipment was blamed for many of the big fires. Nonetheless, the companies dropped thousands of policyholders and stopped selling coverage in some of the most hazardous areas of California.

Many of these residents have been forced to buy coverage from the California FAIR Plan, the state-mandated “insurer of last resort.” The FAIR Plan’s customer base has jumped from 140,000 in 2018 to more than 200,000 last year. The financial impact can be devastating. Although Lara has won a court order forcing the FAIR Plan to offer broader coverage, for now the plan only sells bare-bones policies. By the time homeowners finish buying supplemental plans to cover other perils, the typical insurance bill has jumped from about \$2,000 a year to as much as \$6,000.

Read more at: <https://www.sacbee.com/news/california/fires/article258142823.html#storylink=cpy>