

## **State enforces nation's first wildfire safety regulation to help drive down cost of insurance**

Lake County News

Insurance Commissioner Ricardo Lara said he will enforce the new insurance pricing regulation he wrote recognizing and rewarding wildfire safety and mitigation efforts made by homeowners and businesses.

Commissioner Lara's regulation is the first in the nation requiring insurance companies to provide discounts to consumers under the Safer from Wildfires framework created by the California Department of Insurance in partnership with state emergency preparedness agencies.

The regulation is now state law and enshrined in the California Code of Regulations.

"Protecting Californians from deadly wildfires means everyone doing their part, including insurance companies by rewarding consumers for being safer from wildfires," said Commissioner Lara. "The reality of climate change is driving my determination to help communities better prepare, help our firefighters save lives, and help more Californians find insurance they can afford. My Department will work diligently to increase discounts to reward the hard work that California consumers do to protect their families, homes, businesses, and communities."

Commissioner Lara's regulation requires insurance companies to submit new rate filings incorporating wildfire safety standards created by the department, and to establish a process for releasing wildfire risk determinations to residents and businesses within 180 days.

Transparency is an important benefit of this regulation, by requiring insurance companies to provide consumers with their property's "wildfire risk score" and creating a right to appeal that score.

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This regulation is part of a comprehensive solution that Commissioner Lara initiated after taking office to protect consumers from climate change-intensified wildfires.

When Commissioner Lara took office in 2019, insurance companies representing 7% of the residential market provided insurance discounts and, under his leadership, that figure has grown to 4%.

When this regulation is fully implemented, it will be 100% of the residential and commercial market aligned with the Safer from Wildfires framework.

Commissioner Lara directed the Department to write the regulation to protect consumers and improve market competition after hearing first-hand from consumers and business owners about their frustration with insurance companies that did not consider mitigation in their rating plans.

During town hall meetings in more than 38 counties and an extensive department investigatory wildfire hearing in 2020, many consumers testified that their homes and businesses were subject to “wildfire risk scores” that many did not know existed and had no right to appeal if inaccurate.

Regulation followed extensive public input and Safer from Wildfires partnership with Gov. Gavin Newsom’s Administration

Lara took what he learned from Californians to shape this rule that will promote a fair, transparent, and competitive insurance market.

In October 2021, Lara shared an initial version of the text of regulation. Following further public input, Lara formally proposed his regulations in February and held a public hearing to receive verbal and written comments before submitting the final regulation on Sept. 1 for approval by the California Office of Administrative Law, of which that approval has now been received.

The regulation incorporates the Safer from Wildfires framework, created in February by a first-ever partnership between the Department of Insurance and the emergency preparedness agencies in Governor Newsom’s Administration, including the California Department of Forestry and Fire Protection, the Governor’s Office of Emergency Services, the Governor’s Office of Planning and Research, and the California Public Utilities Commission.

“Home Hardening retrofits, along with Defensible Space significantly increase a home’s chance of surviving a wildfire,” said Chief Daniel Berlant, Cal Fire deputy director of Community Wildfire Preparedness & Mitigation. “Using the latest fire science and recent wildfire data, these retrofits and landscaping requirements provide a strong path to structure survivability. Cal Fire is currently funding over \$300 million in local wildfire prevention projects to prepare communities against wildfire, but we know it will take every resident doing their part to ensure California is fully protected.”

Regulations will drive down costs and create transparency for consumers

The regulation requires insurance companies to submit new rates that recognize the benefit of safety measures such as upgraded roofs and windows, defensible space, and community-wide programs such as Firewise USA and the Fire Risk Reduction Community designation developed by the state’s Board of Forestry and Fire Protection, which currently includes the counties of Los Angeles, Santa Barbara, and Butte as well as cities and local districts.

“I applaud and welcome the new insurance pricing regulation developed by Commissioner Lara,” said Los Angeles County Supervisor Kathryn Barger, who represents approximately 2 million residents, including many who own properties in the county’s wildland urban interface. “Over the years, I’ve met with many wildfire survivors who were underinsured and, as a result, were financially ruined – left with a home that’s uninhabitable, that they can’t afford to repair, yet still liable for meeting their mortgage payments. The discounts offered to property owners who harden their homes and take action to mitigate wildfire threats are a financial reward that I believe will be embraced by many. This is a big step forward towards promoting community-driven preparedness and resilience.”

“Commissioner Lara’s proposed regulation will transform the insurance landscape by rewarding wildfire risk reduction, creating safer communities and restoring access to affordable coverage,” said Amy Bach, Executive Director of United Policyholders, a 31-year-old non-profit assisting California insurance consumers whose statewide Wildfire Risk Reduction and Asset Protection (WRAP) working group is working toward the goal of this regulation. “Giving people a financial incentive to do their part is a critical and fair step to getting ‘all hands on deck’ to save homes and lives. United Policyholders strongly supports this common-sense and sustainable solution to the property insurance problems millions of Californians are experiencing.”

“Communities have been engaging in wildfire risk reduction through the national Firewise USA program for two decades,” said Michele Steinberg, wildfire division director for the National Fire Protection Association (NFPA). “The Firewise USA process requires annual preparedness work across neighborhoods, and a long-term commitment. This ongoing effort has proven to reduce property losses from wildfire and should factor into risk evaluations and insurance rates.”

“My regulation is the result of listening closely to the needs of consumers and businesses and crafting common-sense, lasting solutions that strengthen our ability to protect Californians from the threat of climate change-intensified wildfires,” said Commissioner Lara.

The Safer from Wildfires regulation is part of a larger solution that Commissioner Lara is pursuing for consumers and wildfire survivors that includes working to increase insurance protections and market competition to help protect consumers. Commissioner Lara’s actions since taking office in 2019 include, among others:

Protecting more than 4 million homeowners from non-renewal or cancellation of insurance following declared wildfire emergencies, in order to speed up community recovery.

Sponsoring new insurance protections signed into law by Gov. Newsom — despite opposition from insurance companies — that will mean larger payouts for some consumer claims, less red tape from insurance companies, and more help for people under evacuation orders.

Ordering the FAIR Plan, the state’s insurer of last resort, to offer a more comprehensive homeowners policy as an option, which a judge upheld, as well as expanding residential and commercial coverage limits for the first time in 25 years to keep pace with increased costs.