United Policyholders
Roadmap to Preparedness Program

Testimony/Comments Before the California Department of Insurance re:
Mitigation in Rating Plans and Wildfire Risk Models: REG-2020-00015

United Policyholders strongly supports the proposed rulemaking re: Mitigation in Rating Plans and Wildfire Risk Models and the regulations that are the subject of this hearing. It is critical that insurers' rating plans account for risk mitigation actions taken by property owners that reduce the risk of loss from wildfires.

As you know, the home insurance marketplace has undergone dramatic changes in recent years in many regions throughout California. Competition and coverage options for property owners have shrunk precipitously as the insurance industry reacted to drought conditions and destructive wildfires by significantly increasing premiums and nonrenewing thousands of homeowners. These adverse actions have created acute financial challenges for homeowners who want to keep their homes protected and/or legally must keep coverage in place under the terms of a mortgage. For those with paid-off homes, the choice of putting food on the table versus keeping insurance in place has led a substantial number to "go bare" which needless to say is not a long-term acceptable option.

It is absolutely imperative that we engage individuals and communities throughout California in actively reducing wildfire risk. The logical and fair way to do that is to reward those who invest time and money into reducing the likelihood of their homes being damaged or destroyed in a wildfire by ensuring that the rate they're charged for insurance reflects that investment.

United Policyholders has been conducting an ongoing California Home Insurance Survey since 2019, and the survey responses confirm that insurers non-renew without specifying any risk reduction actions that could preserve coverage and are not giving consistent rewards to those who've invested in making their homes safer from wildfires.

Given that increased risk (or the perception thereof) is driving non-renewals and price spikes, reducing risk is a logical palliative. The financial incentive of an insurance reward is a prime and efficient way of getting people and communities to invest time and money in pro-actively mitigating, hardening homes, creating defensible space and contributing to reducing the underlying risk that is driving the current home insurance crisis.

While we are beginning to see some voluntary, selective actions by some insurers to reward risk reduction, the proposed regulations are absolutely necessary to compel a transparent and fair system that will spur meaningful action to reduce the underlying risk of homes being destroyed in wildfires and help restore stability and affordability to the California home insurance marketplace. South Carolina, Florida, Alabama, Mississippi and many other states have implemented similar regulations and/or legislation to compel consistent and fair rate plan adjustments to account for mitigation actions.

Because in our organization's interactions with consumers we heard from so many California residents who were being nonrenewed by their home insurers and/or hit with substantial premium increases we sought to find a logical means of helping to address this crisis. This led to United Policyholders' Wildfire Risk Reduction and Asset Protection ("WRAP") initiative to lead the way in identifying specific mitigation actions that experts consider effective in reducing the risk of structures being destroyed in wildfires.

In monthly virtual gatherings over a fourteen month period, a WRAP working group heard recommendations from fire scientists, researchers, fire-fighting professionals and agencies and construction experts as well as from engaged members of at-risk communities and leaders in Fire Safe Councils and Firewise Communities. The list of mitigation actions we compiled from these sources and made public last year closely aligns with those in the proposed regulations.

The actions specified in the regulations also align with those included in the "Wildfire Prepared Home" designation recently introduced by the Institute for Business and Home Safety (IBHS), the insurance industry-funded research organization known for its massive warehouse facilities used for testing structural resilience.

Home hardening, defensible space and community-wide mitigation actions have clearly demonstrated their effectiveness in reducing home ignitions both in actual wildfire events and in focused testing environments.

The mandatory factors specified in subsection 2644.9(d) in these proposed regulations will incorporate rate differentials to recognize risk differentials based on proven, effective mitigation actions and are consistent with common industry practices and existing legal requirements for rates in California.

Further, the transparency required of any wildfire rate models included by insurers in the rate filings as mandated in subsection 2644.9(f) - and even more importantly, the information provided to the applicants or policyholders and opportunity to appeal the insurer's determinations mandated in subsections 2644.9(h),(i),(j) and (k) - are **essential** to create better understanding of or in questioning how wildfire surcharges and rates are generated and in informing policyholders of the issues impacting their eligibility for coverage and their premium costs.

United Policyholders offers these limited suggested edits to the regulations:

To Section 2644.9(d)(A):

Include a Community-level mitigation discount for any homeowner that can provide documentation or information that demonstrates that the homes on either side and behind the insured home have also met the insurer's individual property-level mitigation discount requirements.

Include a community-level discount for any homeowner who actively participates in and takes the recommended actions from a Fire Safe Council or other local program that is facilitating and/or promoting fuel reduction and individual home risk reduction.

With respect to 2644.9(d)(B)2.b., modify the requirement for enclosed eaves so as not to apply to buildings of two stories or more (as the heat at the base of the structure are unlikely to rise and collect as such heights).

2644.9(g) To encourage other insurers into the marketplace, it should be made clear that a complement to credibility can be another insurer's or other insurers' loss data as long as those insurers have similar underwriting criteria.

The proposed regulations will ensure that appropriate rate discounts are provided for policyholders whose homes and communities have already taken the prescribed actions. Perhaps just as important, these discounts also provide clear incentives to encourage other homeowners to implement these mitigation actions as well. The result is better resilience for communities (and better results for insurers). *Logically, insurers should also be willing to extend eligibility for coverage to mitigated homes at higher wildfire risk scores than are eligible for new business today.*

These regulations make sense and United Policyholders strongly supports them.

Respectfully submitted;

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