Property insurance and disaster resiliency:

Trends, Challenges and Opportunities

NAIC Climate Change Working Group
January 6, 2023
About United Policyholders (UP)

• A national 501(c)3 not-for-profit organization with a Platinum Guidestar rating and a large corps of professional and disaster survivor volunteers

• 31 years of experience assisting in disaster preparedness and recovery, advocating for fair insurance practices and helping solve problems that impede loss victims’ ability to be indemnified through insurance products

• Working in coordination with insurance regulatory agencies, public officials and stakeholders

• A trusted information resource and respected voice for insurance consumers in all 50 states and the District of Columbia

• Funded by donations and grants

• Participating in NAIC proceedings since 2009
Our Three Programs

• Roadmap to Recovery®
  – Helping individuals and businesses solve insurance coverage and claim problems.

• Roadmap to Preparedness®
  – Increasing disaster preparedness by promoting savvy shopping, inventorying and insuring property to value, and mitigation

• Advocacy and Action
  – Advocating for insurance consumers in courts of law, legislative and other public policy forums, and in the media.
Survey data and observations:
- Underinsured dwellings (chronic…2/3)
- Delays/shortages/gouging/fraud
- Loss valuation disputes
- Unanticipated limits, exclusions
- P/C Marketplace problems (Availability/Affordability)

Remedial initiatives:
- Consumer education on insuring to value
- WRAP/Mitigation/Brace and Bolt, Fortified Homes etc.
- Rate and form regulation
- Need for a return to the NY Std form
### Which path to take...

<table>
<thead>
<tr>
<th>Type of Issue</th>
<th>Negotiation</th>
<th>Mediation</th>
<th>Appraisal</th>
<th>Legal Help</th>
<th>Filing a Complaint with CA DOI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage Limits - Underinsurance</td>
<td>✔</td>
<td></td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Payments owed: (How much and when payable)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Replacing by buying not rebuilding</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation Dispute (lowball estimate)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Home Inventory Proof / Waiver</td>
<td>✔ Use UP survey results</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conflicting info/inconsistent positions by adjuster</td>
<td>✔</td>
<td>✔</td>
<td></td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>
Underinsurance overview

• Current law in most states: Insurer agent only has a general duty to procure

• Reality: Insurer software sets limits, software often a feedback loop from Xactimate and/or not adjusted for local conditions and pricing

• Demand surge is a factor but not the root cause of underinsurance phenomenon
Underinsurance by the numbers

UP surveys recently and consistently find that nearly 2/3 of households are underinsured.

### 2017 North Bay Fires Survey Results
24 Month Survey Results - North Bay Fires

*Summary and Highlights:*
- 64% of survey respondents reported they do not have enough insurance to cover the cost of repairing, replacing or rebuilding their home by an average amount of $367,000.

### 2018 Camp Fire Survey Results
12 Month Survey Results - Camp Fire

*Read our Camp Fire Survey Report (Recovery Status at 1 Year)*

*Summary and Highlights:*
- Underinsurance persists. 60% of survey respondents reported being underinsured by an average of $163,000.
“Self-help” approaches to get an insurer to retroactively reform policy limits/pay above stated limits:

• What do UP’s survey results tell us?
• What has worked (or not) for previous disaster survivors to solve this problem?
• What can DOIs do to help?
• What can a lawyer do to help an underinsured wildfire survivor?
Division of Insurance - Marshall Fire
2022 Data Call

Insurance Commissioner Michael Conway
Louisville City Council Meeting - March 1, 2022
Who’s responsible for underinsurance?

Exceptions to General Rule re Non-liability of Agents & Brokers:

• 1. Misrepresentation of nature, scope or extent of coverage;
• 2. Failure to obtain requested limit;
• 3. Agent/Broker assumes Greater Duty
In most cases, the policyholder bears the burden of inadequate policy limits.

Coverage A Limit
$225 sq. ft. v. $400 sq. ft.
Exceptions

1. Misrepresentation of nature, scope or extent of coverage;
2. Failure to Obtain Requested limit;
3. Insurer/agent/broker can be held to have taken on a special duty through words and/or actions that the insured can prove through evidence. (not just “he said she said”)

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Strategies

• Find/use leverage and convince insurer to pay above limits
  – Did your insurer/agent/broker give you reason to believe your limits were adequate?
  – Did they *undertake duty to set limits adequately*?
  – Seek a “retroactive reformation” of policy limits and offer to pay the difference in premiums
• Sue your agent/broker/insurer individually or in a group
• Sue another at-fault party
A shift in focus

• Prior to 2016, UP’s Roadmap to Preparedness messaging focused on helping consumers avoid being underinsured and create a home inventory to avoid extra post-loss claim challenges

• Our focus shifted in 2016 to:
  
  – Working with producers and CDI to help consumers shop for *any* affordable available option outside the CFP, DIC and surplus lines education
  
  – Identifying long term strategies to sustain a private market, restore competition
  
  – Coordinating with stakeholders to identify effective risk reduction approaches
  
  – Strengthening and improving residual market options
Insurance rating and underwriting adjustments that reward risk reduction are imperative

- Property insurance affordability and availability challenges are plaguing regions throughout the US that are vulnerable to disasters.

- Property owners need financial incentives and assistance to make necessary improvements, which in turn improve insurability.

- Predictive modeling, risk scores, aerial and other surveillance technology are helping and hurting.

- Mandated insurance rate reductions for effective mitigation are in place in many hurricane and flood prone states.

- Significant progress related to wildfire mitigation in 2022.
Rewards to incentivize mitigation

- Premium discounts
- Improved risk score = more options
- Non-renewal protections/guarantees
- House less likely to burn/flood/be damaged
United Policyholders
Wildfire Risk Reduction and Asset Protection Project
("WRAP")

A regular convening of public and private stakeholders, firefighting pros, community-based risk reduction advocates, public officials and agencies, fire scientists and insurance sector reps working together to:

• Reduce wildfire risk and restore home insurance availability and affordability in WUI and other regions

• Increase financial and technical assistance options for property owners to make risk reduction improvements, build community engagement

• Secure insurance incentives and rewards for property owners that pro-actively reduce wildfire risk

visit: www.uphelp.org/WRAP
Wildfire Mitigation Specialist Team

Focusing on the most important things you can do to make your home less likely to ignite during a wildfire.

Services Offered:
- Complete home evaluations
- Home Hardening Grants
- Vegetation Management Grants ("defensible space")
- **5355 Total Home Evaluations Completed**
<table>
<thead>
<tr>
<th>Number of grants</th>
<th>Grant Types</th>
<th>Monies granted to residents</th>
<th>Amounts invested by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>343</td>
<td>Home Hardening</td>
<td>$1,039,263</td>
<td>$3,847,666</td>
</tr>
<tr>
<td></td>
<td>Up to $5000 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>532</td>
<td>Vegetation Dspace</td>
<td>$414,336</td>
<td>$1,292,186</td>
</tr>
<tr>
<td></td>
<td>Up to $1000 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Defensible Space Vegetation Homeowner Associations</td>
<td>$40,500</td>
<td>$166,484</td>
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<tr>
<td>886</td>
<td>Totals</td>
<td>$1,494,099</td>
<td>$5,306,336</td>
</tr>
<tr>
<td>IBHS (Basic)</td>
<td>United Policyholders</td>
<td>State Agency Partnership</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------------------</td>
<td>--------------------------</td>
<td></td>
</tr>
<tr>
<td>Class A fire rated roof</td>
<td>Class A fire rated roof</td>
<td>Class A fire rated roof</td>
<td></td>
</tr>
<tr>
<td>Ember Resistant Vents</td>
<td>Ember Resistant Vents</td>
<td>Ember Resistant Vents</td>
<td></td>
</tr>
<tr>
<td>Cleared 5 foot Home Ignition Zone</td>
<td>Cleared 5 foot Home Ignition Zone</td>
<td>Cleared 5 foot Home Ignition Zone</td>
<td></td>
</tr>
<tr>
<td>6 inches noncombustible clearance at base of exterior</td>
<td>6 inches noncombustible clearance at base of exterior</td>
<td>6 inches noncombustible clearance at base of exterior</td>
<td></td>
</tr>
<tr>
<td>Enclosed underdecks / clear combustible materials from underneath decks</td>
<td>No combustible materials underneath deck</td>
<td>No combustible materials underneath deck</td>
<td></td>
</tr>
<tr>
<td>Maintain trimmed trees/maintain yard clear of debris</td>
<td>Limb up branches, maintained and irrigated landscape</td>
<td>Defensible space compliance - trimming of trees, removal of brush and debris</td>
<td></td>
</tr>
<tr>
<td>Replace combustible attached fencing</td>
<td>Last 5 feet of any fencing attached to home must be noncombustible materials</td>
<td>Upgraded windows or defensive shutters</td>
<td></td>
</tr>
<tr>
<td>No outbuildings near home</td>
<td>If other combustible structure is within 25 feet of dwelling, facing walls of dwelling must include tempered glass in dual pane window and noncombustible, fire rated cladding</td>
<td>Removal of sheds or combustible outbuildings to at least 30 feet from the dwelling</td>
<td></td>
</tr>
<tr>
<td>(IBHS + Plus) set for later rollout, will require additional standards including, in addition to the above, noncombustible siding, enclosed eaves, upgraded windows or shutters, wildfire resistant deck</td>
<td></td>
<td>Enclosed eaves</td>
<td></td>
</tr>
</tbody>
</table>
Voluntary insurer discounts
Voluntary insurer renewal rewards

Who We Are
Wildfire Partners is a wildfire mitigation program to help mountain and foothills homeowners in Boulder County, Colorado prepare for wildfire. Wildfire Partners, part of Boulder County's Community Planning & Permit Department, is a nationally recognized model for wildfire mitigation that is incorporated into Boulder County's building code.

What We Do
We provide education on how to mitigate your home against the threat of wild fires. Upon acceptance to our program, a mitigation specialist will visit your property to do an assessment. We will send you a comprehensive report recommending actions to take. Upon completion of these required items, you will receive certification that can be used as proof of mitigation for insurance purposes.

See Our Progress
Year started: 2014
Homes participating: 2,957*
Certified homeowners: 1,254*
*as of July 30, 2022
Join our program by applying today!

Apply Now
Financial awards are available to subsidize the cost of hiring a Wildfire Partners Forestry Contractor. Our program receives grant funding from the Colorado State Forest Service and FEMA. These funds help provide financial assistance to eligible homeowners for forestry work through an approved contractor during summer and fall. You must submit a bid to us from an approved forestry contractor to receive financial awards. Financial awards for 2020 are capped at 50% of the total cost and can not exceed $2000.00.

**Free access to Wildfire Partners Advisors.** Advisors are available from 9 a.m. - 4 p.m., Monday-Friday, to answer questions and provide information about our program. You can reach us at 303-441-1420 or by email at info@wildfirepartners.org.

**A Wildfire Partners Certificate and yard sign stating that you have mitigated your home.** After successfully completing your mitigation checklist, please call us to schedule your one-hour final inspection.

After passing the inspection, you will receive your certificate and a Wildfire Partners yard sign. Allstate, State Farm and USAA Insurance companies recognize the certificate as proof of proper mitigation. We are not aware of any insurance company who has denied coverage for a Wildfire Partners certified home. The certificate can also be uploaded to your MLS listing to help you sell your home.

**Increased peace of mind.** By completing mitigation actions, you can feel good knowing you have acted responsibly to help protect your family and your community. However, wildfire mitigation is not a one-time event; you must maintain mitigation for it to be effective. You can always contact us to schedule a re-certification of your property. We charge a $100 fee for re-certification assessments.

Join your neighbors and become a Wildfire Partner! Be a positive role model for others and help create a more resilient community.

**Apply Now** and begin your journey to having a more resilient home and community.
You Are Not Powerless Against Wildfire.

Based on the latest wildfire mitigation science, this program guides you through the steps necessary to protect your home and offers a designation for those who meet program requirements.

- Wildfire Prepared Home Overview
- Wildfire Prepared Home Plus Overview
- Get Started

Designation Process

1. Confirm Eligibility & Take Required Actions
2. Apply for a Designation
3. Get an Inspection
4. Achieve Designation
CA Progress in 2022

- CDI regulations set standards for rating plan adjustments
- Consistent standards (WRAP, Safer From Wildfires and IBHS Wildfire Prepared Home)
- Significant increases in funding for wildfire risk reduction
- Cal OES funded WRAP Resource Center
  - Aggregate and disseminate info re: available risk reduction grants and technical help (Fire Safe, Firewise, COPE, etc.)
- Increase in insurers voluntarily offering rewards/support
- More vendors offering risk reduction services
- Increased understanding of brush management/firefighting strategies that save structures
Challenges remain

• CO availability/affordability challenges are increasing, residual market designing underway (OR, WA?)
• CA Fair Plan products and processes need improvement
• Insurer reluctance to recognize risk reduction in rates and UW
• Resistance to 5’ defensible space/Community-wide engagement in risk reduction
• Continued attacks on CA limits on the use of CAT models to set rates, pass along reinsurance costs to phs
• How to deal w/ “150 years of not letting forests burn”
• Decades of development in WUI regions
• Climate change’s overall impact on P/C sector
Questions?

Email info@uphelp.org, amy.bach@uphelp.org

Visit www.uphelp.org