



June 21, 2023

Assemblymember Lisa Calderon, Chair  
Assembly Insurance Committee  
1020 N Street, Room 369  
Sacramento, CA 95814

**Re: SB 672 (McGuire) – Insurance for Wildfire Safe Homeowners**

Dear Chair Calderon:

We write in strong support of SB 672 (McGuire) because every Californian who meets best practices for wildfire protection should have access to home insurance.

Insurance is not a voluntary purchase for Californians who own a home. Mortgaged homeowners must carry insurance as a condition of their loan or lose their home. Those who have paid off their debts must have coverage to protect against loss of an investment that represents, for most homeowners, the bulk of their wealth.

Homeowners insurance companies across California are abruptly non-renewing homeowners' insurance policies and blaming wildfire risk, even when the homeowner has done everything in their power to mitigate fire hazards and harden their homes. Homeowners should not lose the ability to insure their homes when they do all the right things to protect their property from fires.

For far too long, many insurers have failed to recognize the significant expenditures that homeowners undertake to protect their properties against wildfires, and instead have continued to overcharge, deny, or nonrenew coverage without considering the risk reduction of policyholders' mitigation measures. These nonrenewal decisions typically use privately generated, unregulated algorithms and models to "score" homeowners fire risk without their knowledge, and without disclosing the source of those scores to the homeowner. Insurance companies are treating conscientious homeowners as if they pose the same risk as property owners who have done nothing to limit their risk. As a result, millions of homeowners are arbitrarily denied coverage, nonrenewed, or are faced with unfair premium overcharges, which in turn has destabilized California's homeowners insurance market.

The Department of Insurance took the first step last October when it passed new rules requiring insurers to give homeowners premium discounts for taking steps to harden their homes, create defensible space, and for living in a Firewise community. However, the rules leave insurance

companies free to refuse to sell to homeowners entirely, no matter what steps they take to protect their homes.

Premium discounts cannot protect Californians if they are not accompanied by a requirement that insurers sell to Californians who protect their homes.

Insurers will avoid mandatory discounts by redlining whole areas of the state where they refuse to write coverage at all. That eventuality is already playing out across the state. Until the legislature requires insurers to offer coverage to homeowners who do everything they should to protect their homes – and by doing so reduce wildfire risk for every Californian – the nonrenewal crisis will continue.

The standards in SB 672 follow the “Safer from Wildfire” best practices developed by the Department of Insurance, the Governor’s Office of Emergency Services and Office of Planning and Research, Cal FIRE and the Public Utilities Commission, with input from the industry, consumer groups, cities, counties and homeowner stakeholders, and for which premium discounts are required in Section 2644.9(d)(1)(B) of Title 10 of the California Code of Regulations promulgated by the Department of Insurance in October 2022.

We know mitigation works to reduce wildfire risk, prevent homes from burning down and protect communities.

- A recent NAIC study found “structural modifications can reduce wildfire risk up to 40%, and structural and vegetation modifications combined can reduce wildfire risk up to 75%.”<sup>1</sup>
- Fifty-eight percent of the new homes in Paradise, built to meet California’s 2008 fire-resistant building codes, survived the Camp Fire, while just nine percent of older homes did.<sup>2</sup>
- A 2019 CalFire analysis of the relationship between defensible space compliance (as assessed through its defensible space inspection program) and destruction of structures during the seven largest fires that occurred in California in 2017 and 2018 concluded that the risk of a structure being destroyed by wildfire was five times lower for homes with compliant defensible space.<sup>3</sup>
- The National Institute of Building Sciences recently found that adopting the 2015 edition of the International Code Council’s International Wildland Urban Interface Code (IWUIC) in 10,000 census blocks across the country would generate \$4 in wildfire mitigation savings for every \$1 invested and retrofitting 2.5 million homes to

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<sup>1</sup> Center for Insurance Policy Research, NAIC, et al., *Application of Wildfire Mitigation to Insured Property Exposure*, Nov. 15, 2020, at [https://content.naic.org/sites/default/files/cipr\\_report\\_wildfire\\_mitigation.pdf](https://content.naic.org/sites/default/files/cipr_report_wildfire_mitigation.pdf).

<sup>2</sup> Jeffrey Mize, “Grim Lessons Learned and Warnings from California Fire Stories,” *Government Technology*, Sept. 18, 2019, at <https://www.govtech.com/em/preparedness/grim-lessons-learnedand-warnings-from-california-fire-stories-.html>.

<sup>3</sup> Legislative Analyst Office, *Reducing the Destructiveness of Wildfires: Promoting Defensible Space in California*, Sept. 2021, at <https://lao.ca.gov/Publications/Report/4457>.

the 2018 IWUIC could provide a nationwide benefit-cost ratio as high as \$8 to \$1. These are “benefits that represent avoided casualties, property damage, business interruptions, and insurance costs and are enjoyed by all building stakeholders including developers, title-holders, lenders, tenants and communities.”<sup>4</sup>

- Voluntary “Firewise” programs in California and throughout the United States have developed community-based programs that have substantially reduced wildfire risk.<sup>5</sup>

One of the surest ways to reduce the risk of fires is to harden homes to prevent their spread. When property owners protect their own homes, they help reduce wildfire risk across their community and the state. Even with premium discounts for homeowners who have lowered their risk of wildfire loss about to take effect, homeowners have little incentive to invest money on costly mitigation efforts if they do not know they will get coverage in return. SB 672 is necessary to further incentivize these steps and stabilize the home insurance market for Californians.

There is a strong precedent for SB 672. Proposition 103 *requires* insurance companies to sell automobile insurance policies to any safe motorist who qualifies as a good driver under the law. (Insurance Code section 1861.02(b)(1)); moreover, insurance companies are required to give such drivers a discount of at least 20% (Insurance Code section 1861.02(b)(2)).

Proposition 103 did not, however, address whether insurance companies must offer a policy to any homeowner who has taken action to protect their home from wildfire. SB 672 fills this gap by guaranteeing homeowners coverage if they meet wildfire safe best practices to protect their homes. We urge your AYE vote.

Sincerely,



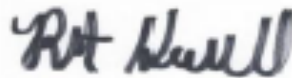
Carmen Balber  
Executive Director  
Consumer Watchdog



Doug Heller  
Director of Insurance  
Consumer Federation of America



Amy Bach, Esq.,  
Executive Director  
United Policyholders



Robert Herrell  
Executive Director  
Consumer Federation of California

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<sup>4</sup> Ruben Grijalva, “How Better Building Codes Can Mitigate Wildfires’ Devastation,” *Governing*, Oct. 22, 2020, at

<https://www.governing.com/community/how-better-building-codes-can-mitigate-wildfiresdevastation.html>.

<sup>5</sup> See <https://www.nfpa.org/Public-Education/Fire-causes-and-risks/Wildfire/Firewise-USA>.