

# CALIFORNIA FIRE INSURANCE AFFORDABILITY AND ACCESSIBILITY

U.C. Davis Environmental Policy & Management in collaboration with The Sierra Institute for Community and Environment

## SUMMARY

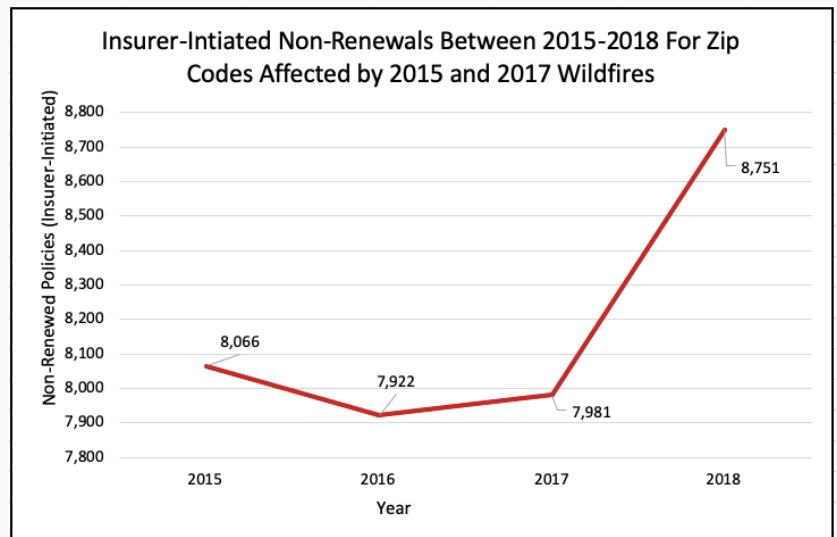
Wildfires in California have increased in frequency and severity over the past two decades which has affected home insurance accessibility and affordability, especially in the wildland-urban interface (WUI). This brief provides recent developments in fire insurance coverage, describes how elements may be influencing these developments, and proposes several policy solutions to providing Californians with greater home insurance accessibility and affordability.

## BACKGROUND

**Wildfires are larger and more frequent.** California has experienced 10 of the largest wildfires in its history since 2015, three of the largest occurred in the last few years (1). **Wildfires are killing more people and consuming more properties.** Wildfires in 2017 and 2018 caused more property loss and deaths than in the last 10 years combined (2). The Camp Fire (Butte County) in November 2018 killed 85 people, destroyed 18,804 structures and caused the largest losses of any wildfire in U.S. history (insured losses at \$12.5 billion).

## PROBLEM

Recent data collected by the California Department of Insurance shows **insurance is becoming harder to find for those in high wildfire-risk areas as a result of recent wildfires.** The data reveals that zip codes affected by the devastating fires in 2015 and 2017 experienced a 10% increase in insurer-initiated non-renewals (3). The data provided by insurers also revealed the availability of homeowners insurance dropped in high-risk counties (3). From 2015 to 2018, the number of new and renewed homeowners' policies fell by 8,700 in the counties with the



Graph was manipulated for this brief. Original graph obtained from Reference 1.

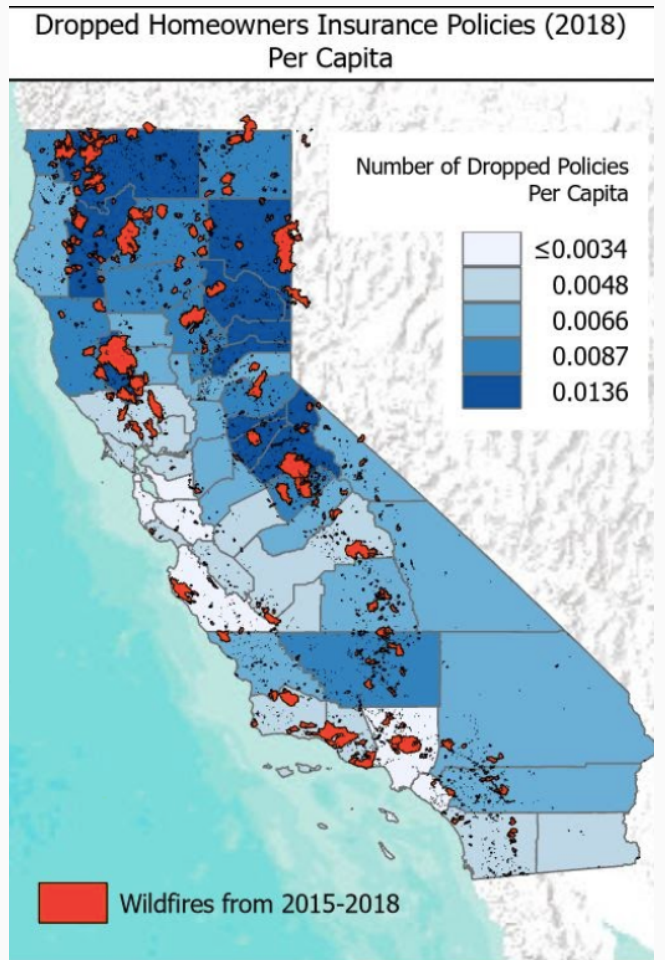
most homes in high-risk areas (3). These same counties saw a steady increase in new FAIR Plan policies during that time frame, growing 177%. The FAIR Plan provides insurance coverage as a last resort for homeowners who are unable to find coverage in the voluntary market, and is often more expensive than typical plans (3). Another concern is that the cost of these policies are increasing.

**Wildfire models used to determine insurance eligibility may be limited in accuracy and accessibility.**

These models may not use satellite imagery that is detailed enough to identify fuel sources and other important physical characteristics surrounding a property and may not take into account mitigation done by the homeowner or the community. Wildfire models and the proprietary elements they rely on are not accessible to the government or the public, making it difficult to determine why a homeowner is being denied insurance coverage by providers.

**There have been proposals in the California legislature to address the growing rate of insurer non-renewals and increased prices in home insurance policies (1 & 2).**

Some of these solutions include incentivizing insurers in the voluntary market to offer affordable policies to homeowners in WUI communities and for homeowners to implement home hardening (i.e. installation of non-combustible materials to the exterior portions of buildings) and defensible space standards (buffer between a building and the vegetation that surrounds it). When implemented, these practices can slow or stop the spread of wildfire and can protect homes from catching fire.



To learn more about this graph please visit the affiliated report: 'California Fire Insurance Accessibility'.

## POLICY RECOMMENDATIONS

- Establish a task force that will identify at risk communities and develop community and home hardening standards.
- Once such standards are established, implement a statewide home hardening certification program to address insurance accessibility and availability with a two-tiered framework.
  - Tier A: Individual properties. Require an insurer to write or renew property insurance for an existing property that is determined to have met these standards.
  - Tier B: Communities. Require an insurer to provide lower premium rates for communities that have met community home hardening standards.
- Incorporate a requirement that all Californians must be rejected by two insurers in the voluntary insurance market before being eligible for a FAIR plan policy.
- Make the criteria insurers use in their wildfire models accessible to the public, so they know why they are being approved for or denied from insurance coverage

1. Assembly Bill 2167, February 2020. "Insurance market action plan".

2. Assembly Bill 2367, February 2020. "Residential property insurance: wildfire resilience".

3. California Department of Insurance, 2019. "Fact Sheet: Impact of Wildfires on Insurance Non-Renewals and Availability".

**To learn more please visit the affiliated report: 'California Fire Insurance Accessibility'.**