Navigating the Fire Insurance Maze

What a Fire Department can do to Help Secure Your Residents the Best Possible Insurance Rates

10-2024

01 Understanding Fire Insurance

Insurance Regulations

Heavily Regulated Industry

- Prop 103 in 1988 established California Insurance Code Sections 1861.01-1861.16 (Title 10 of the CCR)
- **Competitive Rating System:** (1861.02-1861.09): Allows insurers flexibility in setting rates based on risk factors, potentially lowering rates for low-risk individuals but raising them for high-risk groups.
- **Territorial Rating and Filing of Rates :** (1861.13-1861.16): Give insurers some leeway in setting rates based on location and risk, leading to variations for different areas and individuals.

Recent Fire Insurance Actions

February 3, 2023, Insurance Commissioner Ricardo Lara released Bulletin 2023-2 “Sustainable Insurance Strategy”

Updates Title 10 of the California Code of Regulations

Insurance plans will be required to have a rate plan that takes into account individual home wildfire mitigation.

Gave insurance agencies 180 days to comply and submit a new rate plan

Based the wildfire mitigation on the Safer for Wildfires initiative

- The Safer from Wildfires initiative is a list of home hardening and fire preparation steps homeowners can take, which is supposed to reduce their premiums, but we have not seen this fully executed yet.

Recent Fire Insurance Actions

- **9/23/2023** Executive Order N-13-23 issued – New Insurance Regulatory Actions. Signed by Governor Newsom.
- Requires insurance agencies to write **no less than 85% of their statewide market share in distressed areas.** (It is likely this would pull people out of the fair plan because they will have insurance available to them in the free market.)
- Recognize mitigation and hardening requirements to appropriately price plan. (Utilize the Safer From Wildfires home hardening regulations.)

- In the press release from the state for this new Executive Order is the following:
- *"Insurance companies will not write in high-risk areas unless they can cover 100% of consumer claims their expenses, and make a fair return"*
  - **This is laying the groundwork for increased insurance premiums on residential properties**

Recent Fire Insurance Actions

- **3/09/2024** CDI released regulatory rule change packages (3) aimed at streamlining the Department's Rate Approval Process.
- Changes are very specific to the way insurance agencies submit and get approval for rate changes.
- Within the changes is the ability for insurance agencies to use **catastrophe modeling** as a determination for insurance rates.
- Catastrophe modeling uses computer models to determine future risks.

Recent Fire Insurance Actions

- Public Comment was heard on 4-23-2024. Only one fire representative spoke.
- Criticism is that the standards and inputs used for the modeling are not known and not defined.
- Credit is not given for specific mitigations taken to prevent wildfire by a community.

- SB1060 (Becker) – would "require the models to account for wildfire risk reduction associated with hazardous fuel reduction, home hardening, defensible space, and fire prevention activities"
  - The first hearing in June was "canceled by the request of the author"

Recent Fire Insurance Actions

- 5-15-2024 Assembly Insurance Committee Hearing.
- Top 10 insurance agencies have received new rate structures.
- Regulations still on track to be done by December 2024.
- Incorporating rate making – moving to new model takes time – it took Florida 5 years.
- Increase in transparency.
- An additional public workshop will be held in June for comment.

Recent Fire Insurance Actions

- 9-17-2024 Assembly Insurance Committee Hearing.
- Focus changed to catastrophe modeling and rate making.
- Fire became more represented in these meetings as awareness grew.
- Announcement of the plan to develop a public wildfire catastrophe model for California.

State of Residential Fire Insurance

- At least 7 of the top 12 insurance agencies in California have paused or suspended writing policies for new properties.
- People are being forced into the FAIR plan, which should be a last resort, not a first resort.
- There is little to no communication from the Insurance Commission or agencies to local fire departments.
- Anticipate residential insurance rates to increase as commercial real estate insurance has already.
- There is no measure of current fire code enforcement carried out by local fire agencies.

MFR completed 14,000 Defensible Space Inspections last year, and it had zero impact on insurance for the residents.

California FAIR Plan Insurance

- A last-resort insurance program for those who can’t get fire insurance on the private market.
- It is not a government-backed program but more of a shared pool from private insurance providers.
- It is overburdened and increasingly expensive.
- Over 350,000 homes in the plan.
- Two years ago it was around 250,000.
- In March, State Farm gave notice that it would non-renew 72,000 policies, which have likely ended up with FAIR Plan coverage.

02 What is coming?

Safer From Wildfires

Initiative to have homeowners take mitigation steps to lower their risk

- Safer from Wildfires is a ground-up approach to wildfire resilience with three layers of protection — for the structure, the immediate surroundings, and the community. Following these achievable steps ***can help you save money on your insurance***.
- To date, we have not seen how this will impact rates.

Do more, save more

Every action under Safer from Wildfires will qualify you for an insurance discount. By doing more, you can save more.

- Class A fire-rated roof
- 5-foot ember-resistant zone around the structure
- Noncombustible 6 inches at the bottom of walls
- Ember- and fire-resistant vents
- Double pane windows or added shutters
- Enclosed eaves
- Cleared vegetation and debris from under decks
- Move sheds and outbuildings at least 30 feet away
- Trim trees and remove brush in compliance with state and local defensible space la
- Neighborhoods can form a Firewise USA community
- Cities, counties, and local districts can become certified as a Fire Risk Reduction C

Insurance Institute for Business and Home Safety - IBHS

- A non-profit that works on research related to building safety and disaster prevention.
- Supported by property insurers and reinsurers.
- Developing industry-wide prevention standards

IBHS - Wildfire Prepared Home

- Wildfire Prepared Home Standard – similar to Safer from Wildfires.
- This seems to be the preference of the insurance industry…They fund it, after all.
- Requires homeowners to pay for an inspection to get a certificate.

- Two Compliance Standards
  - Base
    - Existing with Retrofits
  - Plus
    - New construction or renovations


BASE
RETROFIT EXISTING HOMES
5-FOOT HOME BUFFER
✓ Remove ALL vegetation, trees including overhanging branches, grass/turf, wood/rubber mulch, and any stored items within 5 feet.
✓ Replace 5 feet of wood/vinyl fencing within 5 feet of the home with metal fencing.
✓ Do not store or permanently park anything in this area.
✓ Routinely clear tree debris.
PREPARE HOME
✓ Routinely clear tree debris from roof and gutters
✓ Ensure roof is Class A fire-rated & gutters are made of metal
✓ Install ember-resistant vents or cover them with 1/8” metal mesh
✓ Ensure a 6-inch vertical noncombustible material at base of walls & decks
WILDFIRE PREPARED
A PROGRAM OF IBHS
MAINTAIN THE DECK AND YARD (Within 30 feet)
✓ Decks: Routinely clear tree debris, replace combustible furniture, & maintain the underdeck area; enclose low-elevation decks
✓ Yard: Regularly clear debris, pruned and spaced trees/vegetation, move firewood & large propane tanks to 30+ feet
✓ Place structures at least 10 feet away and maintain the 5-foot noncombustible buffer around them*
PLUS
NEWER CONSTRUCTION OR RENOVATIONS
UPGRADE YOUR HOME’S EXTERIOR
✓ Enclose underside of eaves
✓ Cover gutters
✓ *Move structures 30+ feet away
✓ Upgrade windows & doors
✓ Install noncombustible siding
✓ Enclose under bay windows
✓ Build or retrofit to a noncombustible deck
✓ Remove back-to-back fencing

Building Standards

CBC Chapter 7A

- Establishes minimum standards to protect life and property for a building located in a Wildland-Urban Interface Fire Area by **increasing its ability to resist the intrusion of flames or burning embers.**
- Required in VHFSZ

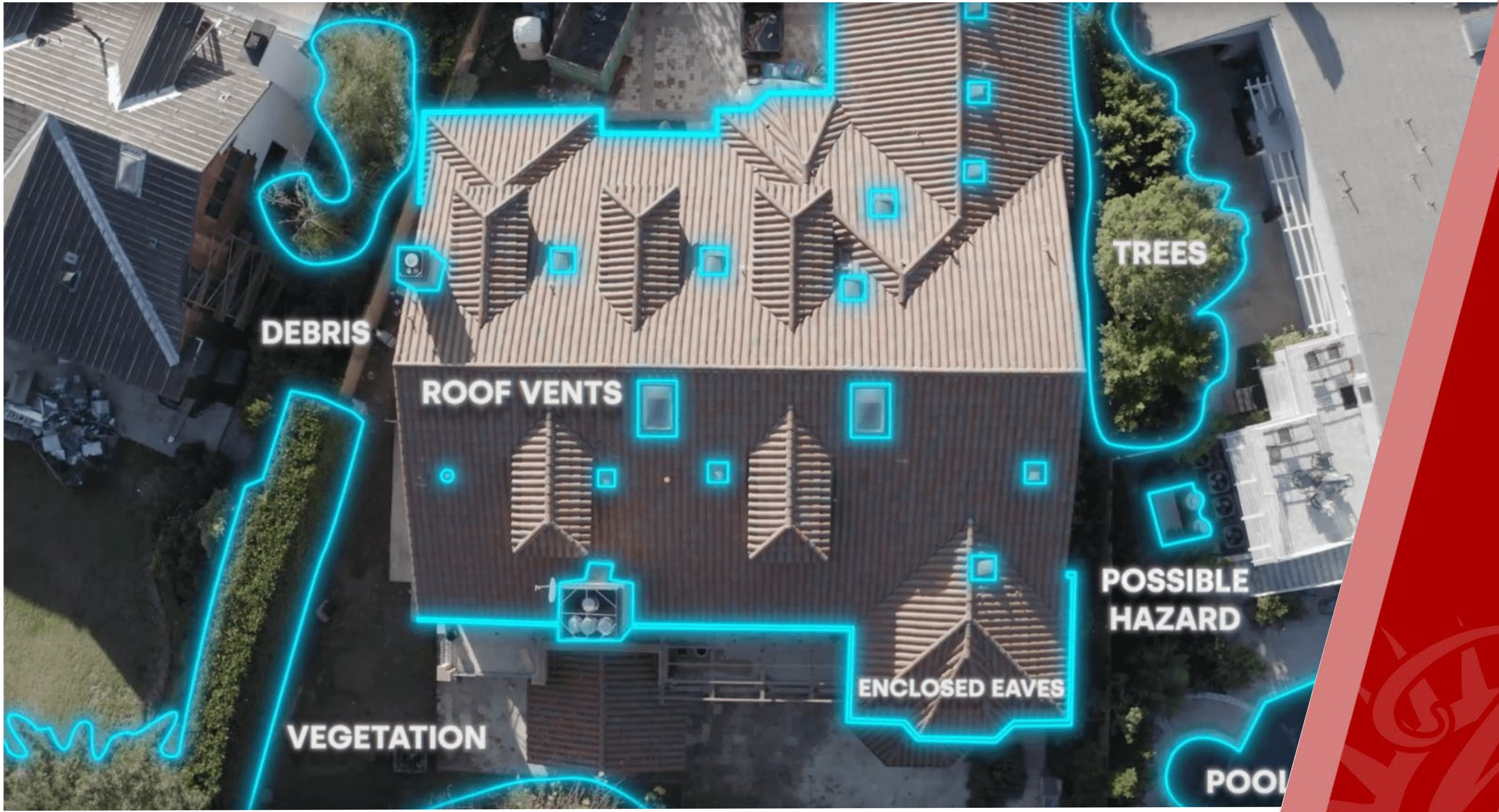
California Residential Code Section R337

- Building materials, systems and/or assemblies used in the exterior design and construction of new buildings located within a Wildland-Urban Interface (WUI)

Wildfire Mitigation Score – Core Logic

Standardizing the measurement of risk on a parcel level

- The Wildfire Mitigation Score is a deterministic wildfire model, which is both comprehensive and granular. Wildfire Mitigation Score was built off the widely accepted Wildfire Risk Score model, while also utilizing the full simulation U.S. Wildfire probabilistic model to validate the relativities associated with each of the mandatory mitigation factors.
- It is a 0.1-100 risk score to allow for easy integration into existing workflows, with supplemental information for use in underwriting guidelines.
- Will at least set a standard measuring stick to assess risk



Utilizes AI and comprehensive data sets to model risk

Catastrophe Modeling

- Assesses future wildfire risk for SPECIFIC properties.
- The current rate decisions are based on fire history, not future risk.
- Approved in all states except California.
- Very likely to come in the future.

- CDI just established a higher education research group through Cal Poly Humbolt to develop the nation's first public wildfire catastrophe model.
- Waiting to see if the Fire Service industry is involved.

03 What can Fire Departments do to help lower insurance rates?

Fire Department's Ability to Help

Fire Departments can only do two things under the current Safer From Wildfires Initiative to help residents lower their insurance rates:

1. Assist neighborhoods to become Firewise Communities.
2. Be recognized as a Fire Risk Reduction Community by the Board of Forestry and Fire Protection.

* Robust enforcement of Defensible Space is likely also to improve insurance rates.

Firewise Communities

Residents Reducing Wildfire Risk

- Firewise USA® is a voluntary recognition program that provides a framework to help neighbors get organized, find direction, and take action to increase the ignition resistance of their homes and communities from wildfire.
- Formation requires at least 8 and up to 2,500 homes.
- Managed by NFPA – Local FD’s can help our communities with this process.

HOW TO BECOME A FIREWISE USA® SITE

To earn recognition as a Firewise USA® site, a community must meet a set of voluntary criteria on an annual basis.

ORGANIZE IT

Create a volunteer board or committee to represent your community with a designated resident leader as the point of contact. This can be easily done with access to a Homeowners Association (HOA) or similar local group. Establish the boundaries of the site to contain a minimum of 8 dwelling units and a maximum of 2500. Then, use the program portal to register (**portal.firewise.org/user/login**).

PLAN IT

With a portal account, follow the guidelines to complete a community wildfire risk assessment. NFPA provides a free template and tutorial here, with additional videos on the website. The assessment needs to be updated at a minimum of every 5 years.

The risk assessment is the basis for creating a three-year action plan that identifies and prioritizes communitywide efforts to be taken each year. These may include overseeing local activities, events, investments, and homeowner education.

DO IT

Complete the actions identified in the plan to satisfy annual participation. Examples might include hosting community education workshops, distributing materials by print (or digitally), and organizing a Firewise Day.

Document the volunteer hours throughout the year. Each site must invest the equivalent of one volunteer hour per dwelling unit, annually. So, a site with 100 homes would require 100 volunteer hours (or monetary equivalent for incurred costs).

TELL US ABOUT IT

After meeting the criteria, the resident leader submits their community to attain “In Good Standing Status” and become a recognized Firewise USA® site. Each year, sites renew their status by reporting their activity.

Fire Risk Reduction Community

Fire Risk Reduction Community

- Cities can apply to be identified as a Fire Risk Reduction Community as outlined in Public Resource Code Section 4290.1.
- Reserved for communities that meet the best practices for local fire planning.
- The application period just closed. Opens every two years.

Fire Risk Reduction Community Steps

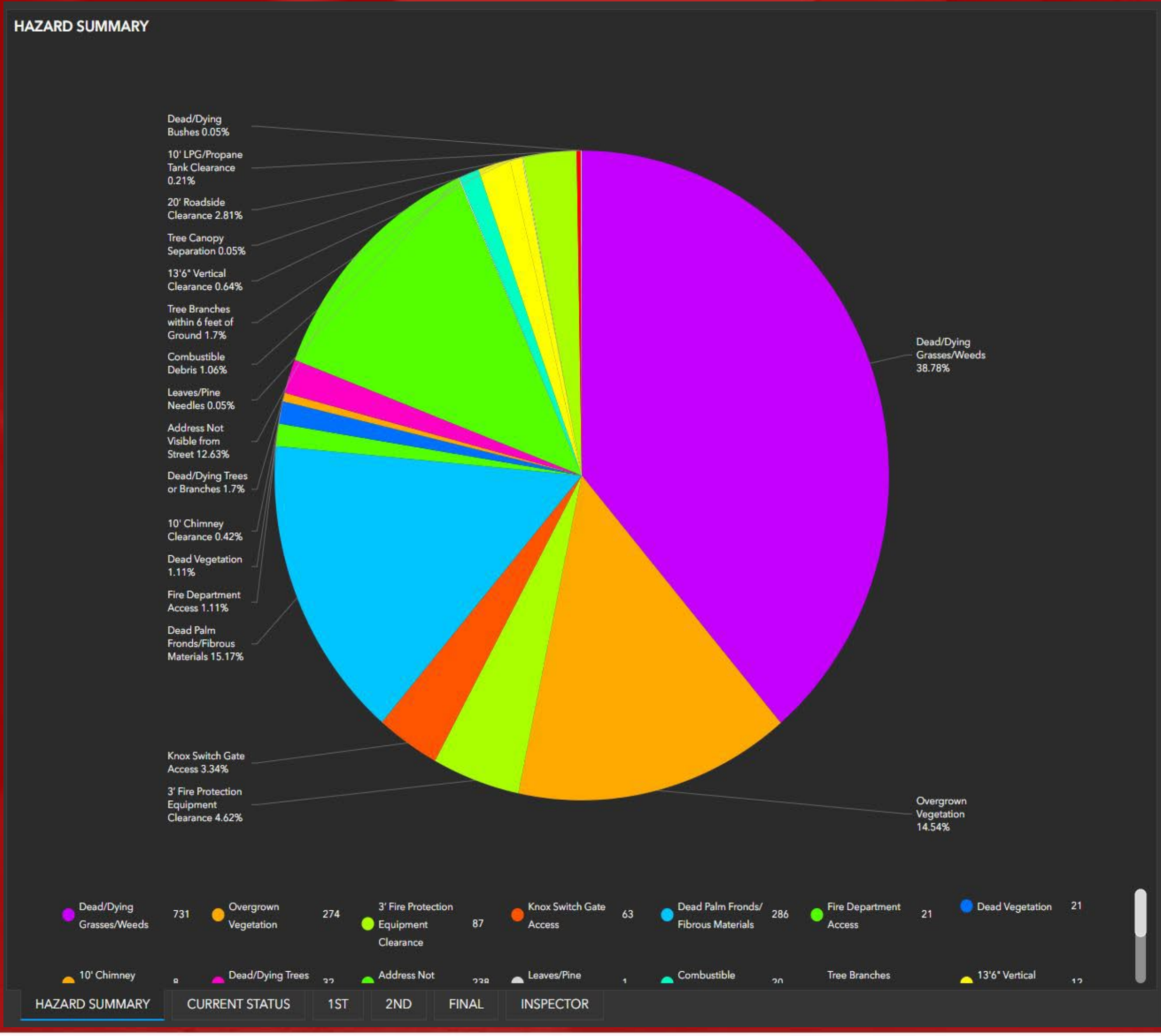
1. Adopt Ordinance Designating VHFSZ (would have been around 2011)
2. Provide Adopted Safety Element from the General Plan
3. Subdivision Review Progress from CCR Section. 1267.01 - All "communities" (30 homes or more) with one-way access in VHFSZ – ***AB2911***
4. Adopt one or more regulations exceeding the state minimum for fire safety regulations.
5. Adopt one or more DSI ordinances exceeding the minimum state standard.
6. Adopt WUI Code stricter than Chapter 49, Part 9 of Title 24 of CCR.
7. Identify wildfire as a high-priority hazard in your Local or Muti Jurisdictional Hazard Mitigation Plan.

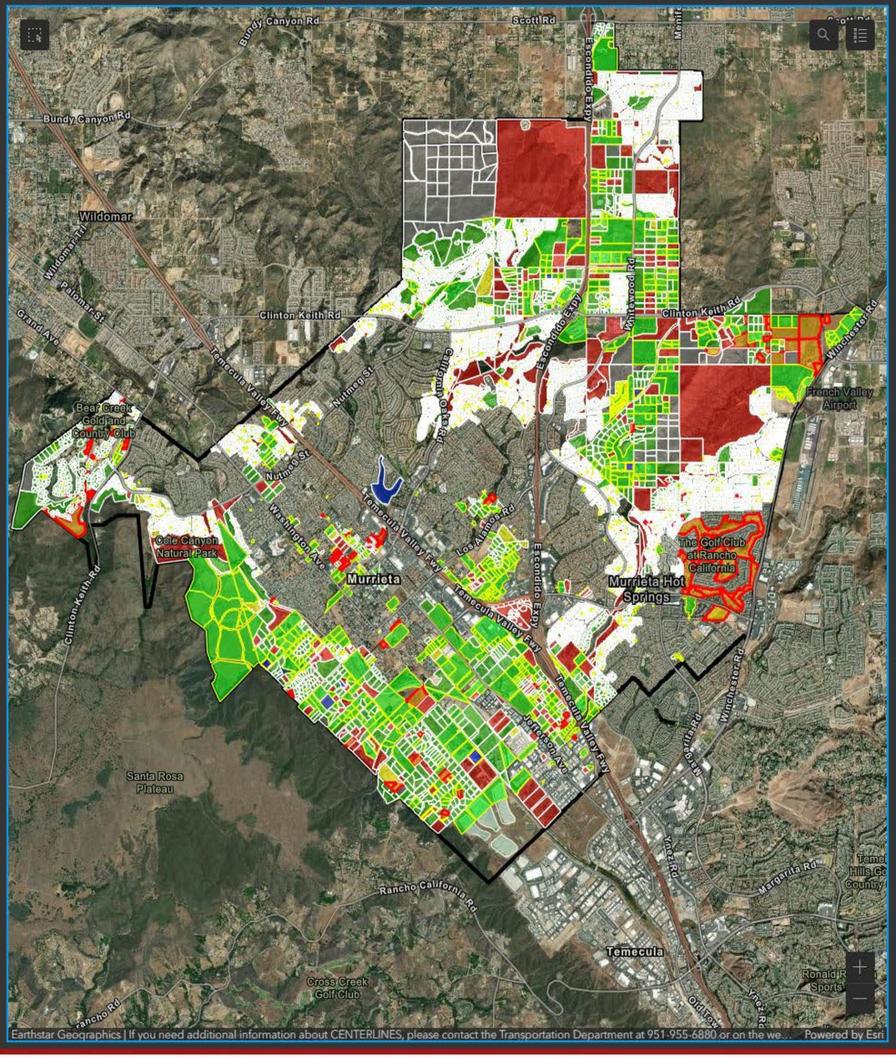
MURRIETA
SOUTHERN CALIFORNIA

est. GEM OF THE VALLEY 1947

04 Defensible Space: Make it Count

MFR inspected over 14,000 properties in Murrieta to ensure DSI compliance





ZONE 0:

Established by AB 3074 in 2020, Zone 0 establishes an Ember Resistant Zone

*applies to the VHFSZ only in LRA

Zone 0: The Ember-Resistant Zone (0-5 feet from your home)

- This zone should be free of all flammable materials, including vegetation, mulch, and debris.
- You can use hardscaping, such as gravel or pavers in this zone.
- Trim tree branches away from your home and roof.

Zone 1: The Immediate Zone (5-30 feet from your home)

- This zone should be dominated by low-growing, fire-resistant plants.
- Remove dead leaves, pine needles, and other debris from this zone.
- Space trees out so that their crowns do not touch.

A firefighter works to put out spot fires from embers
Source: LA Times

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Established by AB 3074 in 2020, Zone 0 establishes an Ember Resistant Zone

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On or before Jan 1, 2023 **The State Board of Forestry and Fire Protection shall update the regulations in Section 51182 of the Government code to reflect zone zero.**

- Once completed this will go into effect for all new construction in VHFSZ.
- Shall take effect for existing structures one year after the effective dates for new structures.
- Space trees out so that their crowns do not touch.
- At this point, (10/2024) the updates have not been made.

A firefighter works to put out spot fires from embers
Source: LA Times

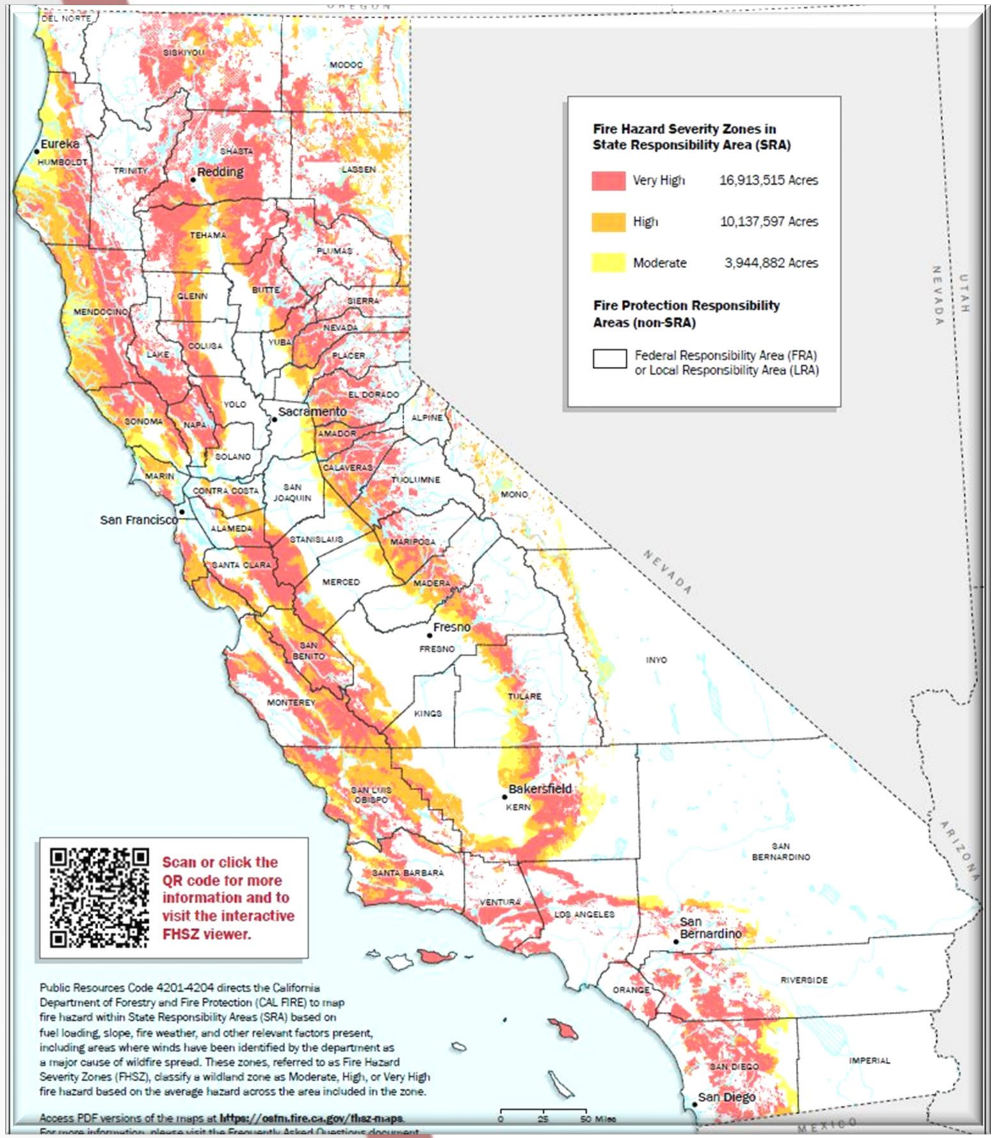
Fire Hazard Severity Zones

State Fire Hazard Severity Map

- Very High
- High
- Moderate

LRA Map Currently adopted by Municipalities

- Efforts to change the process are underway
- SB610 would change the process by which maps are approved at a local level.
- Currently suspended – Held in Committee



LRA Map Viewer

Granular View of maps in your Local Responsibility Area

Fire Department's Responsibilities

Take every action you can as an organization!

- Have a plan to assist neighborhoods in becoming Firewise Certified.
- Take the steps to be classified as a Fire Risk Reduction Community.
- Have a proactive Defensible Space Program in the VHFSZ.
- Have GIS metrics on the mitigation steps you are taking in your community (preparation for catastrophe modeling).

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05 Questions?

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