



To: Members of the RCRC Board of Directors

From: Committee Chair, Supervisor Sherri Brennan, Tuolumne County
Staci Heaton, Senior Regulatory Affairs Advocate
Paul A. Smith, Senior Vice President Governmental Affairs

Date: September 8, 2020

Re: Ad Hoc Advisory Committee on Homeowner's Insurance - **ACTION**

Summary

This memo provides a report of findings from the RCRC Ad Hoc Advisory Committee on Homeowner's Insurance.

Background

Since 2010, the number of residential insurance policy nonrenewals has increased dramatically in high wildfire risk areas. RCRC member counties and RCRC staff receive consistent complaints and information that rural homeowners are having difficulty maintaining insurance coverage and are having to resort to the California Fair Access to Insurance Requirements (FAIR) Plan for fire-only insurance policies at a much higher premium.

When nonrenewed homeowners are able to obtain whole-home policies, often referred to as an HO3 policy, they are often at a much higher premium than their previous policies, which is unsustainable for residents that are on fixed incomes or are in lower income brackets. While counties and RCRC have attempted to work with the insurance industry and by the California Department of Insurance to come up with programs and risk reduction models to encourage insurers to write policies in high fire risk areas by offering discounts for home hardening and community fire prevention measures, little progress has been made.

At the June 19, 2019 RCRC Board of Directors meeting, the Board established the Ad Hoc Advisory Committee on Homeowner's Insurance (Committee). The Committee focused on gathering a better understanding of the options and tools rural counties have to assist, enable and when necessary, enforce individual and community wildfire prevention measures to encourage insurers to increase their market penetration in high wildfire risk areas of California. The Committee also looked at potential funding mechanisms for fire prevention efforts such as home hardening, defensible space and even landscape scale fuels treatment projects, as well as possible changes to the current insurance structure to help insurers recover their losses from catastrophic wildfire events.

The following Supervisors were appointed to serve on the Committee at the June 2019 RCRC Board of the Directors meeting:

Sherri Brennan, Tuolumne County – Chair
Bob Williams, Tehama County – Vice Chair
Brian Oneto, Amador County
Lori Parlin, El Dorado County
Kevin Cann, Mariposa County
Diane Dillon, Napa County
Dan Miller, Nevada County
Lee Adams, Sierra County
Randy Fletcher, Yuba County

The Committee’s “mission statement” reads:

The Ad Hoc Advisory Committee on Homeowner’s Insurance (Committee) will consider potential solutions for the increase in homeowners insurance cancelations and nonrenewals in high fire risk areas across the state. These potential solutions will include, but not be limited to, introducing additional insurers into rural areas, working with the insurance industry on an insurance risk-reduction model, examining insurance industry risk modeling, re-creating/revising the California’s Fair Access to Insurance Requirements (FAIR Plan, creating a new insurance authority (similar to the California Earthquake Authority), and working directly with policy advocates, the State Legislature and the Department of Insurance to explore other options. The Committee will report its findings back to the Board of Directors by August 2020.

Issue

The Committee met five times before composing its final report.

At the June 19, 2019 meeting, the Committee heard from two speakers regarding the current state of the insurance industry in California and the outlook for current efforts to alleviate homeowner nonrenewals:

- Dan Dunmoyer, President and CEO of the California Building Industry Association, discussed the insurance industry’s struggle to recover from losses due to catastrophic wildfires in California, particularly in light of Proposition 103 mandates that keep policy premiums from increasing proportionally.
- Hugh Slayden, Principal Consultant of the Senate Insurance Committee, briefly discussed recent legislative proposals to mandate insurer market saturation in high wildfire risk areas and why those proposals may not be practical long-term to keep insurance companies competitive and offering affordable policies in California.

At the August 14, 2019 meeting, the Committee heard from three speakers on potential mitigation strategies to address nonrenewals and affordability:

- Glenn Pomeroy, Chief Executive Officer of the California Earthquake Authority, discussed the formation and structure of the Authority and how that might be extrapolated to a similar model for wildfire insurance.
- Joel Laucher, Senior Advisor to the California Insurance Commissioner, discussed efforts to establish a wildfire risk mitigation model with the insurance industry and the barriers that still exist to obtaining industry buy-in.
- Kate Dargan, former State Fire Marshal, discussed how enhanced community home hardening and fire mitigation measures are vital for insurers to effectively model risk and offer subsequent policies and discounts for individual and community-wide fire prevention efforts. Ms. Dargan discussed the need to explore a permanent statewide funding source to provide financial aid to homeowners with defensible space efforts and led a lengthy discussion of the need to support a potential fee on residents in the wildland urban interface (WUI). One of Ms. Dargan's suggestions was supporting a fee similar to the State Responsibility Area (SRA) fee to pay for wildfire prevention efforts.

The November 14, 2019 meeting saw the Committee taking a field trip to the Ronald Regan Presidential Library in Ventura County. The purpose of the offsite meeting was to hear perspectives from non-RCRC member local government representatives on their fire prevention policies in the wake of the 2017 Thomas Fire. The Committee also met with leadership from the California FAIR Plan to get a better understanding of how the program works for those who need to use it as an insurer of last resort.

- Anneliese Jivan, President of the California FAIR Plan, provided an overview of the FAIR Plan, which provides basic fire insurance coverage for residential and commercial properties, regardless of its exposure to wildfire threats. Ms. Jivan worked with Assembly Member Tom Daly (D-Anaheim) on 2019's Assembly Bill 1816, which extends the areas in which insurers can accrue "write out credits" to high and very high fire risk areas, as well as extends the notification period of a nonrenewal or expiration of an insurance policy from 30 to 75 days. In 2019, the FAIR Plan began offering discounts to Firewise program members - a national program that addresses risks of homes in wildfire areas - that have experienced insurance non-renewals and cancellations. Ms. Jivan stressed that individual home hardening is not enough, and that there needs to be community-based solutions for wildfire safety to effectively mitigate wildfires. Ms. Jivan was optimistic that insurance companies will eventually enter back into the voluntary market.
- John Spykerman, Division Chief of the East County Operations, Ventura County Fire Department (VCFD), provided an overview of the VCFD and highlighted several fire mitigation programs in Ventura County, particularly the Fire Hazard Reduction Program (FHRP). The FHRP requires property owners in Ventura County to maintain their property free of fire hazards or nuisance vegetation year-round. The FHRP requires a 100-foot of vegetation clearance from structures and 10-feet for road access. Mr. Spykerman noted that there is a 97 percent compliance rate countywide and the program has been used as a model by many jurisdictions throughout the nation.
- Matt Wyatt, District Manager of the Building and Safety Office, Ventura County, discussed current county protections for structures that are constructed in the WUI, including ignition-resistant finish materials for exterior walls, fire-treated shingles or tiles, fire-treated lumber for exposed decks, enclosed and protected roof eaves,

special attic vents, and double-pane exterior windows. Still, structures that meet the current Ventura County Building Codes are vulnerable to fire. Mr. Wyatt shared several preliminary concepts not yet adopted for structures on or near steep hillsides in the WUI.

- Winston Wright, Planning Manager of the Ventura County Resources Management Agency, provided a brief history of Ventura County's land use provisions and regulations, and discussed a temporary housing after a disaster ordinance that Ventura County adopted which allows fire victims to reside in recreational vehicles. The ordinance was updated in the wake of Thomas Fire in 2017 and will soon be updated again. The ordinance provides additional time for homeowners to rebuild nonconforming structures from one to five years.
- Jay Spurgin, Public Works Director of the City of Thousand Oaks, spoke about the Hill Fire and Woolsey Fire that burned a total of 7,000 acres in Thousand Oaks. After the Hill and Woolsey Fires, Thousand Oaks implemented the Recovery Plan and Local Debris Program that were copied from Ventura City and Ventura County. Mr. Spurgin also provided a Regional Housing Needs Assessment (RHNA) overview for Thousand Oaks and shared challenges on meeting RHNA goals such as land availability, city largely built out, established neighborhoods, limited funding for housing, low/very low income units, local concerns, and private sector variables.

The March 11, 2020 meeting saw the Committee deliberating on positions at the direction of the RCRC Board of Directors on two state legislative measures—Assembly Bill 2167 (Daly) and Assembly Bill 2367 (Gonzalez)—that could have had significant impacts on homeowners insurance nonrenewals in high fire hazard severity zones.

- Mike Peterson, Deputy Commissioner of the Climate and Sustainability, California Department of Insurance, and Ismael Contreras, Legislative Assistant, Office of Assembly Member Lorena Gonzalez (D-San Diego), provided an overview of Assembly Bill 2367. AB 2367, sponsored by California Insurance Commissioner Ricardo Lara, would have mandated insurers in California to offer residential insurance policies to applicants that meet certain home-hardening and community fire resilience criteria. The intent of AB 2367 was to ultimately mandate insurance policies for homeowners residing in high wildfire-risk areas that are acting in good faith with regards to fire mitigation efforts. Mr. Peterson took questions from the Committee on implementation strategies for the legislation as well as flexibility for homeowners to meet home hardening standards.
- Paul Riches, Principal Consultant of the Assembly Insurance Committee, and Mark Rakich, Chief Consultant of the Assembly Insurance Committee, provided an overview of Assembly Bill 2167 by Assembly Member Tom Daly (D-Santa Ana). Assembly Member Daly, who serves as Chair of the Assembly Insurance Committee, introduced AB 2167 which would have established the Insurance Market Action Plan (IMAP) program. The IMAP program would have allowed insurers to obtain statewide rate increases beyond the standard 6.9 percent subject to the approval of the Commissioner, while maintaining full policy premiums that are much lower than the FAIR Plan fire insurance-only policies. The intent of AB 2167 was to create a market-incentive by allowing insurers to recover losses thereby encouraging them to remain in California. Following the overview, the Committee engaged in a lengthy discussion with Mr. Riches and Mr. Rakich,

particularly regarding and penalties for insurers that do not meet their IMAP responsibilities.

The Committee declined to take a position on either bill at its March meeting and deferred action to a future meeting.

The Committee's final meeting took place on August 3, 2020 where members once again considered AB 2167. Members heard RCRC's staff recommendation to "support" the bill, which continued to move through the legislative process despite opposition from the Insurance Commissioner. After a robust discussion of the merits of the IMAP program and weighing potential increases in insurance premiums versus an increase in market penetration in high fire hazard severity zones to help people remain insured, the Committee voted to unanimously support AB 2167 along with a companion bill, Senate Bill 292 (S. Rubio). Both bills were amended to be long-term study bills on the insurance industry and wildfire insurance, and were ultimately made inactive by their respective authors.

Committee Recommendations

The Committee requests that the RCRC Board of Directors adopt and approve the following recommendations:

- 1) Instruct RCRC staff to remain engaged with the Legislature, the Department of Insurance and the insurance industry on potential legislation or administrative proposals to appropriately represent the impacts of insurance nonrenewals on rural homeowners and communities in the wake of the failure to pass AB 2167 and SB 292 in their pre-amended forms.
- 2) Communicate the following list of wildfire mitigation actions to member counties for their consideration:
 - Adopt local ordinances that reinforce and strengthen existing state defensible space mandates.
 - Reinforce the new fire-resistant standards adopted by the state for new building construction.
 - Work in concert with local fire prevention agencies such as Fire Safe Councils and Resource Conservation Districts to establish financial assistance programs for low income, elderly and disabled residents that cannot feasibly maintain their own defensible space or afford home hardening upgrades.
 - Encourage community-wide fire mitigation activities along with individual homeowner efforts, such as shaded fuel breaks, and work with local fire prevention agencies to leverage state and federal grant funding to complete projects.
- 3) Instruct RCRC's advocacy team to pursue the following state legislative priorities:

- Support a statewide, permanent funding mechanism for land use planning, home hardening and defensible space efforts for wildfire prevention.
- Support legislative proposals that will facilitate insurer market penetration into high fire hazard severity zones that also ensure insurance affordability.
- Support modifications to current insurance reimbursement practices that make it easier for homeowners to recover losses after a catastrophic fire event.
- Support legislative proposals that include feasible, implementable standards to strengthen defensible space, home hardening and local land use planning requirements for wildfire mitigation.

Attachment

- RCRC Resolution 19-04: Establishment of Board of Directors Ad Hoc Advisory Committee on Homeowner's Insurance