



Insurance incentives and rewards for risk reduction

National Council of Insurance Legislators

P & C Committee

2023 Summer Meeting, Minnesota

July 22, 2023

About United Policyholders (UP)

- Reputable, established 501(c)3 not-for-profit charitable organization, Platinum Guide Star rating
- A trusted voice and information resource for consumers in all 50 states
- A 32 year track-record and subject matter expertise in insurance and disaster recovery
- Not for profit...not for sale
- Funded by donations and grants
- A volunteer corps with personal and/or professional expertise in disaster recovery and insurance

Team UP

- Professional staff
- Government and nonprofit partners
- Volunteers
 - Survivor to Survivor - trained disaster survivors providing navigation and mental health support
 - Consumer oriented professionals
 - Damage and repair/rebuild cost estimators
 - Lawyers
 - Public Adjusters
 - Tax and Financial Planning experts
 - Construction and Real Estate professionals

There is a lot of energy, time and money going into reducing wildfire risk in CA



Advocacy | Blog | Roadmap to Preparedness

WRAP UP: The Wildfire Risk Reduction and Asset Protection Project

SEPTEMBER 17, 2019



If you make improvements to your home so it is less likely to be seriously damaged or destroyed in a wildfire, it's only fair that your insurance costs should reflect that reduced risk...or at the very least, you should be able to find and keep affordable home insurance.

But as things stand now, there are no official wildfire risk reduction programs or laws in wildfire-prone states to make that happen, and insurers are fighting legislative efforts in California to enact them. There are insurance mitigation support and premium discount laws in place in a number of

Search



United Policyholders Follow

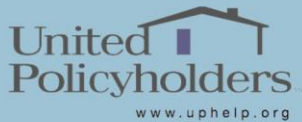
United Policyholders @UPHelp · 16 Mar
How an Earthquake in Japan Helped Shape California's Plan for the Next Tsunami:
Tsunami:
<https://storymaps.arcgis.com/stories/dz>

United Policyholders @UPHelp · 16 Mar
U.S. Supreme Court Urged to Overturn Eleventh Circuit Decision Limiting COVID-19 Property and Business Insurance Claims <https://shar.es/aolYGA>

United Policyholders @UPHelp · 8 Mar
Colorado Wildfire Survivors: this resource is for you. #colorado #coloradowildfires

DORA Colorado @DORAColorado
If you're experiencing difficulties with your insurance claims resulting from the 2020 wildfires, contact the Div of Insurance- 303-862-7400 (800-876-3747)

Helping property owners know what to do

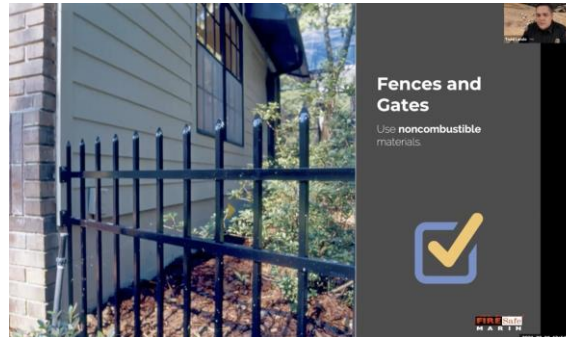


Improve Your Home's Chances of Surviving a Wildfire

- Have a Class A fire rated roof
- Install screens to keep embers out
- Gutters should be kept clear of leaves and needles
- Clear plants so there's 5 feet of space around your home
- Remove all combustible materials from under and near decks
- Prune branches near the home
- If wood fencing touches your home, replace at least 5 ft. of it with metal
- To get help with the above, visit the WRAP Resource Center: www.uphelp.org/wrap



firesafe_marin



www.uphelp.org/WRAP

WRAP – SANTA CLARA COUNTY

Home » Roadmap to Preparedness » WRAP Resource Center – Get Started Now! » WRAP – Santa Clara County



SANTA CLARA COUNTY

- FIND LOCAL RESOURCES
- ASSESS YOUR HOME
- CHECK FOR INSURANCE DISCOUNTS
- GET STARTED



**SUBMIT
RESOURCES**

We cannot:

- Control the weather or naturally occurring EQs
- Put the modeling/drone imaging genie back in the bottle
- Force property owners to make improvements they can't afford to make
- Leave property owners without insurance options

We can:

- Coordinate among stakeholders/partners
- Research
- Facilitate
- Incentivize
- Reward
- Provide financial assistance for

RISK REDUCTION

Imperatives:

- Understand effective risk reduction techniques and options
- Establish standards, partnerships and viable mitigation support programs
- Preserve affordable, quality property insurance options for consumers

Options:

Premium discounts

- Mandatory and specific %s

- Mandatory but not specific %s

- Voluntary

Statutory limits on non-renewals

Insurer funded mitigation

Government funded mitigation

Mandated Discounts Based on IBHS Standards

- Most statutes that mandate discounts require conformance to an insurance industry standard:
 - Insurance Institute for Business and Home Safety
 - FORTIFIED Program: Gold, Silver
 - 2021 International Residential Code
 - <https://codes.iccsafe.org/content/IRC2021P2>
- Safer From Wildfires (CA)

IBHS Standards - FORTIFIED Program

IBHS mitigation program is designed to improve both community and individual homeowner post-disaster loss recovery and expense

- FORTIFIED Roof
 - Requires wind and rain-resistant attic vents and sealed roof deck
 - In hail-prone areas, FORTIFIED requires shingles tested by IBHS to show they can withstand hail up to 2 inches in diameter

(cont.) IBHS FORTIFIED

- FORTIFIED Silver
 - Includes above Roof-level requirements
 - Focuses on door and window openings, attached structures, chimney bracing, soffits, and gable end walls
 - Garage doors must be pressure rated for pressures associated with site design wind speed and exposure category.
 - Chimneys must be adequately connected to roof structure to resist loads based on site design wind speed

(cont.) IBHS FORTIFIED

- FORTIFIED Gold
 - Includes Roof and Silver level requirements
 - Focuses on engineered roof-to-wall, story-to-story, and wall-to-foundation connections
 - Connections are engineered to withstand the wind and pressure a home is likely to face in a severe storm
 - Requires pressure-rated doors and windows
 - Requires thicker, impact resistant structural sheathing that can resist flying debris

Mississippi Code §83-75-3

- Requires licensed insurers to provide mandated discount rates to any person who constructs or retrofits an insurable property in compliance with specified IBHS mitigation measures
 - Applies only to policies that provide wind coverage
 - Applies to homeowners in select coastal cities
 - Multi-family dwellings, manufactured homes, and businesses are **not** eligible
- To obtain a discounted rate, homeowners in the specified coastal cities must **retrofit** and **certify** their properties in accordance with one of the tiered IBHS Fortified for Safer Homes mitigation levels

Requirement to Offer/Notify Insurance Discounts to Consumers

- Some states require insurers to offer insurance discounts to homeowners who mitigate loss
- But these states do not mandate specific discount rates
- There are often requirements that insurance providers notify insurance consumers of the discounts they offer

The need for wildfire mitigation

- Wildfire-prone areas in California, Colorado, and elsewhere in the mountain west are experiencing an availability/affordability crisis
- Insurers are reducing volume in high risk areas (or leaving altogether) and raising premiums on customers they keep
- Insurers are imposing mitigation requirements that are sometimes in excess of state requirements/not feasible
- This phenomenon is leaving rural Californians, for example, with limited and expensive options (FAIR Plan, Surplus lines)
- Risk classification-based modeling such as ISO/Verisk FireLine and CoreLogic are dominating many insurers' underwriting criteria

California: A Case Study

- Tree mortality, climate change, and **[over]reliance on the use of risk classification models (e.g., ISO/Verisk Fireline)** are creating the perfect storm of insurance unaffordability/unavailability in brush areas
- According to a United Policyholders survey conducted in Spring 2017, 47% of homeowners were told a high “Fireline score” made them uninsurable, while 80% responded that their insurer made no recommendations to mitigate risk in order to reduce risk
- A similar survey by United Policyholders, conducted in 2022, saw 72% of homeowners were told a high “Fireline score” made them uninsurable, while 94% responded that their insurer made no recommendations to mitigate risk in order to reduce risk

Who can be part of the solution?

- Fire Safe Councils/Firewise Communities
- State, local, and Federal government
- Community Organizations
- Insurance Commissioners
- Insurers/insurer-partnerships

Precedent for successful programs:

- Wildfire Partners (Boulder County, CO)
- Firesafe Council programs
- Programs administered by State and Local Fire Agencies

Wildfire Partners

- Partnership between Boulder County, FEMA, and Colorado Department of Natural Resources
- Homeowners receive a \$250 value inspection of vegetation in defensible space zones
- 50% cost sharing up to \$2,500 for mitigation if you hire a Wildfire Partners Forestry Contractor
- Certificate that USAA and Allstate recognize as proof of proper mitigation, State Farm for renewals
 - Wildfire Partners represents that no insurer has denied coverage for a homeowner who has presented the certificate

Nevada County, CA Firesafe Council

- Defensible Space Advisory Visit
 - CalFire trained inspector comes to property for free and checks compliance with Public Resources Code 4291, which as of 2005 requires 100 feet of defensible space around a property
 - Up to \$4,000 grants available based on need (supported in part and at times by County, Allstate, and Americorps)
- Defensible Space Verification Service
 - \$100 plus mileage fee and the inspector comes back to see if the property owner has complied with PRC 4291 (checklist provided in advance – goal is to pass the first time, usually they want to see more than 100 feet for insurance purposes because many insurers are coming in with a heavy hand)

(cont.) Nevada County

- The Defensible Space Verification has traditionally been accepted by most insurers as proof that the homeowner has mitigated enough to warrant continued coverage
- However, in a recent meeting of the Governor's Tree Mortality Task Force legislative committee, the FSC reported their first denial that cited CalFire guidelines
- Some insurers, in addition to renewing, will offer a 5% discount for the verification. However it is not by any means uniform or mandated, and is subject to change

www.uphelp.org/wrapchart

Comparison of IBHS's newly released "Wildfire Prepared Home" with United Policyholder's "WRAP" Initiative's "Mitigated Dwelling Measures"		
IBHS (Basic)	United Policyholders	State Agency Partnership
Class A fire rated roof	Class A fire rated roof	Class A fire rated roof
Ember Resistant Vents	Ember Resistant Vents	Ember Resistant Vents
Cleared 5 foot Home Ignition Zone	Cleared 5 foot Home Ignition Zone	Cleared 5 foot Home Ignition Zone
6 inches noncombustible clearance at base of exterior	6 inches noncombustible clearance at base of exterior	6 inches noncombustible clearance at base of exterior
Enclosed underdecks / clear combustible materials from underneath decks	No combustible materials underneath deck	No combustible materials underneath deck
Maintain trimmed trees/maintain yard clear of debris	Limb up branches, maintained and irrigated landscape	Defensible space compliance - trimming of trees, removal of brush and debris
Replace combustible attached fencing	Last 5 feet of any fencing attached to home must be noncombustible materials	Upgraded windows or defensive shutters
No outbuildings near home	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	Removal of sheds or combustible outbuildings to at least 30 feet from the dwelling
(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		Enclosed eaves

Firewise USAA



- National Fire Protection Association (NFPA) and USAA
- Become a “Recognized Community”
 - Obtain a wildfire risk assessment as a written document from your state forestry agency or fire department.
 - Form a board or committee, and create an action plan based on the assessment.
 - Conduct a “Firewise Day” event.
 - Invest a minimum of \$2 per capita in local Firewise actions for the year.
 - Submit an application to your state Firewise liaison.

(cont.) Firewise USAA

- Discounts available:
 - California - Policies effective on or after 10/1/2014
 - Colorado - Policies effective on or after 5/30/2015
 - Texas - Policies effective on or after 6/30/2015
 - Arizona - Policies effective on or after 2/15/2016
 - Oregon – Policies effective on or after 6/30/2016
 - New Mexico - Policies effective on or after 1/1/2017
 - Utah - Policies effective on or after 1/5/2017
 - Wyoming - Policies effective on or after 4/5/2020
 - Montana - Policies effective on or after 7/27/20
 - Idaho - Policies effective on or after 8/2/20

Problems and potential solutions

- Wildfire Partners, Firewise USA, and the Nevada County FSC are good examples of voluntary programs but without legislation that mandates that compliance is automatic eligibility, then homeowners can mitigate all they want, it may or may not matter to insurers
- Insurance Commissioners need increased oversight over insurer's use of wildfire models that do not account for mitigation or local firefighting capability as the sole underwriting criteria (e.g., FireLine, CoreLogic)
- Establishing uniform mitigation criteria accepted by all insurers will help prevent market disruption, this could be industry self-correcting or legislatively mandated

Questions? Comments?

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