



## Tree Mortality Task Force 2/9/17 Insurance Workshop Notes

### **9:00 Welcome and Workshop Introduction.** *Matthew Reischman, CAL FIRE*

This workshop has been organized by the Tree Mortality Task Force's Regulations Working Group in response to homeowners in the areas of heavy tree mortality experiencing non-renewals, cancellations, or difficulty obtaining homeowners insurance.

### **9:10 Legal requirements, authorities, insurance rates and rate making rules**

California Department of Insurance Representatives:

*Joel Laucher, Chief Deputy, Insurance rates and rate making rules.*

*Tony Cignarale, Deputy Commissioner for Consumer Services.*

Basic rates approved by the California Department of Insurance are composed of three components: catastrophic loading, expense loading, and profit loading. A surcharge can be added to these rates if justified by loss history associated with a specific risk category (example given was wood shingle roofs). Any surcharge must be justified by data and may not be excessive or discriminatory.

Insurers may choose the range of risks it exposes itself to (risk tolerance) through underwriting. The Department of Insurance does not have regulatory or statutory authority to mandate coverage of specific risks. The Department of Insurance does however evaluate models and tools used by insurers to evaluate homes for coverage. The criteria used in models and tools need to be supported by data establishing a risk of loss.

The [FAIR Plan](#) is the insurer of last resort for those that cannot obtain coverage on the open market. The Department of Insurance website has a [comparison tool](#) with generic pricing information from licensed insurers. Some homeowners obtain coverage outside of the regulated market from non-admitted insurers. These plans are not reviewed or approved by the California Department of Insurance.

### **9:45 Overview of fire risk models and their role in developing underwriting guidelines.**

*Dr. Arindam Samanta, Verisk and Laura L. Panesso, CPCU*

*Thomas Jeffery, PhD, CoreLogic*

FireLine™ is a wildfire risk rating tool developed by [Verisk Analytics](#). It uses remote sensing to evaluate vegetation, topography, and road access, among other factors, to assign a cumulative risk score for individual properties. This tool has been reviewed and approved for use by the California Department of Insurance. Please see Dr. Samanta's presentation for more information.

[CoreLogic](#) produces wildfire risk score for individual homes using vegetation, terrain (slope and aspect), and fire history as the three primary factors. This tool is used by insurers in California for evaluating the risk of loss associated with individual homes that may be exposed to wildfires. Please see Dr. Jeffery's presentation for more information.



Both models evaluate the risk of wildfire from remotely sensed data at a course scale (30 meter by 30 meters). Neither model incorporates factors that might be generated from a site visit such as defensible space, home hardening, community fuel breaks, or proximity to seasonally staffed fire stations.

### **10:30 Questions and Answers with Insurance Representatives**

*Association of California Insurance Companies (ACIC) - ACIC is part of the Property Casualty Insurers Association of America (PCI). ACIC represents 363 property casualty insurance companies doing business in California. California members write 29 percent of homeowners insurance sold in California.*

Insurance companies balance their exposure to risk through writing and underwriting. Writing refers to whether the company exposes itself to a risk category by offering policies against them. Underwriting refers to the process of pricing the policy premium appropriately to the risk category.

*Personal Insurance Federation (PIF) - PIFC represents its seven member companies before the California state government concerning personal lines property-casualty insurance issues. The companies include: State Farm Insurance, Farmers Insurance, Progressive Insurance, Allstate Insurance, Liberty Mutual Insurance, Mercury Insurance and Nationwide Insurance.*

[Wildfire Partners](#) in Boulder County Colorado is an example of a wildfire mitigation program that helps homeowners protect their homes against wildfire loss with one goal being to increase the insurability of a home. Homes that complete the required mitigations are issued a certificate that is recognized by some insurance companies for writing or renewing homeowner insurance policies.

### **11:20 Consumer Perspective**

*United Policyholders, Amy Bach*

[United Policyholders](#) has produced the [publication](#) "Dropped by your insurer? Where to go for help in California" that can help homeowners whose policies have been dropped or non-renewed. In addition to availability, affordability is impacting the home insurance market in the Tree Mortality Counties. Non-admitted carriers are entering these markets but coverage is not regulated and they do not participate in the California Insurance Guarantee Association. Please see Amy Bach's presentation for more information.

### **11:40 Open Discussion (the auditorium is reserved until 1:00PM)**

Group discussion of topics presented above.