



## IN BRIEF

SB 1060, the Fire Insurance Risk Evaluation Act (FIRE Act), will require property insurers to consider the wildfire risk reduction benefits of hazardous fuel reduction, home hardening, defensible space, and other fire prevention activities by incorporating these mitigation activities into insurance underwriting models. In doing so, the FIRE Act will allow insurance customers to benefit from the significant investments that California has made to reduce wildfire risks.

## BACKGROUND

California has the highest wildfire risk in the US. In recent years, the state has experienced a growing number of highly destructive wildfires due to climate change and over a century of logging and fire suppression. Of the 20 most destructive wildfires in California's recorded history, 13 have occurred since 2017.<sup>1</sup> Together, these 13 fires have caused tremendous damage, destroying nearly 40,000 structures, taking 148 lives, and damaging millions of acres.

The devastating impacts of these increasingly frequent and severe wildfires have accelerated insurance rate increases, non-renewals, and market instability, causing an insurance crisis in California. In the last year, companies representing more than half of California's insurance market have either stopped or capped writing new insurance policies and have increased non-renewals due to heavy losses from wildfires and the potential for more destruction in the future. This has forced a rapidly increasing share of homeowners, particularly those in fire-prone regions, onto the Fair Access to Insurance Requirements Plan<sup>2</sup> (FAIR Plan) as a last resort to protect their homes. Since 2019, FAIR Plan enrollments have increased by more than 70 percent. However, the FAIR Plan currently offers reduced coverage at high prices.

In an effort to save lives, protect property, and address the insurance crisis, California has prioritized efforts to prevent wildfires and reduce their severity. Targeted hazardous fuel reduction through ecological thinning, prescribed fire, and managed wildfire can reduce accumulated high fuel loads, promote healthier, more resilient forests, thus decreasing the risk of high-severity wildfire at large spatial scales.

California has encouraged science-based, landscape-scale forest management by increasing the pace and scale of hazardous fuel reduction through ecologically-based thinning and the use of prescribed fire.

In 2020, Governor Newsom and the U.S. Forest Service established the Agreement for Shared Stewardship of California's Forest and Rangelands, including a commitment to treat 1 million acres of forest each year.<sup>3</sup> Governor Newsom also established the California Wildfire & Forest Resilience Task Force<sup>4</sup> (Task Force) to address the growing threat of devastating wildfire. The Task Force works to align the activities of federal, state, local, public, private, and tribal organizations to support programs and projects that reduce wildfire risk, and to bring the best available science to forest management and community protection efforts. In 2021, the Task Force released California's Wildfire & Forest Resilience Action Plan that provides a framework and strategy to improve wildfire resilience and forest health throughout the state.<sup>5</sup>

Additionally, more than 500 communities in California have developed Community Wildfire Protection Plans to identify actions needed to reduce wildfire risk and losses in their communities, such as home hardening and defensible space, and thereby lower the cost of wildfire disasters. Maintenance of defensible space around structures moderates the destructive impact of wildfire by reducing the chance a home will ignite, while home hardening efforts increase the resistance of structures to the intrusion of flames or embers projected by a wildfire. Recognizing the risk reduction benefits of these activities, California's Insurance Commissioner issued a regulation in 2022 that requires insurance companies to provide discounts to customers who implement wildfire safety measures including home hardening and defensible space.<sup>6</sup>

In recent years, California has made significant investments to support wildfire resilience, forest health, and community safety. Since 2017, the state alone has committed more than \$3.6 billion in investments in forest treatment to address wildfire risk and protect communities.

<sup>1</sup> Legislative Analyst's Office. (2021). [Reducing the Destructiveness of Wildfires: Promoting Defensible Space in California.](#)

<sup>2</sup> [Fair Access to Insurance Requirements Plan](#)

<sup>3</sup> Office of Governor Gavin Newsom. (2020). [California, U.S. Forest Service Establish Shared Long-Term Strategy to Manage Forests and Rangelands.](#)

<sup>4</sup> [Wildfire & Forest Resilience Task Force](#)

<sup>5</sup> California Wildfire & Forest Resilience Task Force. (2021). [California's Wildfire & Forest Resilience Action Plan.](#)

<sup>6</sup> California Department of Insurance. (2022). [Mitigation in Rating Plans and Wildfire Risk Models.](#) REG-2020-00015.

## **THE PROBLEM**

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Although California is investing billions in forest treatment, and local governments and homeowners are investing in home hardening and maintaining defensible space, the underwriting models used by insurers to renew or write new insurance do not account for the risk reduction benefits of these activities. The failure of insurance underwriting models to account for the lower risk of losses from these wildfire mitigation investments contributes to non-renewals of insurance and insurers' decisions not to offer new policies for homes facing wildfire risk. At the same time, homeowners are denied the benefits associated with the investments that they, their communities, and the state have made in hazardous fuels reduction, home hardening, defensible space, and other fire prevention activities.

## **THE SOLUTION**

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To address the insurance crisis, insurance underwriting models should account for the mitigation benefits of the billions being invested in forest treatment, home hardening and defensible space. A 2021 study published by The Nature Conservancy and global insurance broker Willis Towers Watson found forest treatment reduced modeled average annual insurance losses for a community of 81,000 homes by 40-60% and could save a total of \$21 million annually by reducing premium prices.<sup>7</sup>

By directing property insurers to evaluate wildfire risk reduction associated with hazardous fuel reduction, home hardening, defensible space, and other fire prevention activities in underwriting risk models, SB 1060 will ensure that underwriting models fairly give credit for the billions of dollars that California has invested in wildfire resilience, forest health, and community protection. In doing so, this bill will result in more available insurance coverage for Californians.

## **SUPPORT**

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The Nature Conservancy (Sponsor)  
CA State Association of Counties (CSAC)  
City of Berkeley  
Consumer Watchdog  
County of Marin  
County of Napa  
County of Nevada  
Marin Wildfire Prevention Authority  
Northstar Fire Department  
Rural County Representatives of CA (RCRC)  
Santa Clara County FireSafe Council  
Sustainable Silicon Valley  
Truckee Fire Protection District

## **FOR MORE INFORMATION**

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<sup>7</sup> The Nature Conservancy and Willis Towers Watson. (2021).

[Wildfire Resilience Insurance: Quantifying the Risk Reduction of Ecological Forestry with Insurance.](#)