



Susan Wengraf  
Councilmember District 6

CONSENT CALENDAR  
July 28, 2020

To: Honorable Mayor and Members of the City Council  
From: Councilmember Wengraf and Councilmember Hahn  
Subject: Oppose AB 2167 & SB 292

RECOMMENDATION

Approve a letter opposing AB 2167 (Daly & Cooley) Insurance Action Market Plan and SB 292 (Rubio & Jones) Wildfire Risk Modeling and Mitigation, and send to Assembly Members Tom Daly and Ken Cooley and Senators Susan Rubio and Brian Jones, with copies to Senator Nancy Skinner, Assemblymember Buffy Wicks, and Governor Gavin Newsom

FINANCIAL IMPLICATIONS

None

BACKGROUND

Due to increasing numbers of wildfires, home insurance has become unaffordable or unavailable for many living in high fire hazard areas. Insurance companies are denying renewals of home insurance policies families have had for years. AB 2167 and SB 292 attempt to solve this issue but do so by taking away insurance price controls, allowing insurance companies to continue refusing to insure homeowners based on their location, and without including incentives for home hardening and other fire prevention strategies. The item should be amended to meet homeowners' needs.

ENVIRONMENTAL SUSTAINABILITY

None

CONTACT PERSON

Councilmember Wengraf                      Council District 6                      510-981-7160

Attachments:

- 1: Letter
- 2: [AB 2167](#)
- 3: [SB 292](#)

Oppose AB 2167 & SB 292

CONSENT CALENDAR  
July 28, 2020

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The Honorable Tom Daly  
California State Assembly  
State Capitol, PO Box 942849  
Sacramento, CA 94249

The Honorable Susan Rubio  
California State Senate  
State Capitol, Room 4052  
Sacramento, CA 95814

**RE: Opposition from the Berkeley City Council RE: AB 2167 (Daly & Cooley) Insurance Action Market Plan, and SB 292 (Rubio and Jones) Wildfire Risk Modeling and Mitigation.**

Dear Assembly Members Daly and Cooley and Senators Rubio and Jones:

The City Council of the City of Berkeley officially registers our opposition to AB 2167 and SB 292. While the Council appreciates your initiative to solve for homeowners' inability to find home insurance if they live in high fire hazard zones, your bill, as currently designed, contains flaws that make it a win for insurance companies but not for homeowners.

AB 2167 and SB 292 lets insurance companies "cherry pick" who they want to offer insurance to – the bill does not mandate that insurers write in high risk areas, where a majority of insurance non-renewals are occurring in the state.

AB 2167 and SB 292 does not guarantee that policyholders will be able to find companies willing to write insurance they can afford.

AB 2167 and SB292 does not address the most important things that first responders and consumers have identified as necessary – namely home hardening and wildfire mitigation that will reduce the risk of devastating fire, bring down the cost of insurance, and make it widely available.

Essentially, Assembly Bill 2167 and Senate Bill 292 are an insurance industry "wish list" that weakens existing important consumer protections and does not further the purposes of Proposition 103, which voters approved more than three decades ago to protect consumers from excessive, inadequate, and unfairly discriminatory insurance rates. This bill would severely harm consumers by hitting homeowners and hard-working families with even higher insurance bills anywhere there is wildfire risk across California – at a time when they can least afford it.

The Berkeley City Council urges you to amend AB 2167 and SB 292 with these considerations in mind.

Sincerely,

Berkeley City Council  
CC: Senator Nancy Skinner  
Assembly Member Buffy Wicks  
Governor Gavin Newsom

AMENDED IN ASSEMBLY MAY 4, 2020

california legislature—2019–20 regular session

**ASSEMBLY BILL No. 2167**

**Introduced by Assembly Members Daly and Cooley**

*(Principal coauthor: Senator Rubio)*

***(Coauthors: Assembly Members Chen, Megan Dahle,  
Kamlager, Mayes, Medina, and Waldron)***

*(Coauthors: Senators Dahle and Jones)*

February 11, 2020

An act to add Chapter 12 (commencing with Section 10109) to Part 1 of Division 2 of the Insurance Code, relating to insurance.

legislative counsel's digest

AB 2167, as amended, Daly. Insurance market action plan.

The Insurance Rate Reduction and Reform Act of 1988, an initiative measure enacted by Proposition 103, as approved by the voters at the November 8, 1988, statewide general election, prohibits specified insurance rates from being approved or remaining in effect that are excessive, inadequate, unfairly discriminatory, or otherwise in violation of the act. The act requires an insurer that wishes to change a rate to file a complete rate application with the Insurance Commissioner and deems the application approved 60 days after public notice of the application unless certain events occur, including that a consumer requests a hearing, or the commissioner determines to hold a hearing. The act requires hearings to be conducted pursuant to specified provisions of law governing administrative hearings. Existing law authorizes the provisions of Proposition 103 to be amended by a statute that furthers the

purposes of the act and is enacted by the Legislature with a  $\frac{2}{3}$  vote.

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## AB 2167 — 2 —

~~Under existing law, the California FAIR Plan Association is a joint reinsurance association in which all insurers licensed to write basic property insurance participate in administering a program for the equitable apportionment of basic property insurance for persons who are unable to obtain that coverage through normal channels.~~

~~This bill would establish the Insurance Market Action Plan (IMAP) program under which residential property insurance policies in a county may qualify for IMAP protection if residential property insurance policies issued by the FAIR Plan constitute 3% or more of all policies issued and in force in that county. The bill would authorize an insurer to submit an IMAP filing to the department and *the requirements of the program are met. The bill would require the an IMAP filing submitted to the Department of Insurance by an insurer to include include, among other things, a request for adequate rates, a plan for maintaining solvency of the insurer, and mitigation requirements. The bill would also require an insurer to commit in the IMAP to offer new and renewal residential property insurance policies in a set of IMAP counties until the insurer achieves a market penetration rate in those IMAP counties that is no lower than 85% of its statewide market penetration rate. The bill would require an insurer that submits an IMAP filing to receive an expedited review of its rate filing, not to exceed 120 days, if the insurer uses an actuarial assumption for trend and loss development that is at the midpoint or less of rate impacts, or files for a rate increase based solely on increased reinsurance costs, and does not otherwise change any other aspect of its rate filing from its previous department approved rate. The bill would require the Office of Planning and Research, on or before, January 1, 2023, to issue a report outlining the effectiveness of the IMAP program.*~~

By providing for an expedited review and approval of residential property insurance rates, the bill would amend Proposition 103 and thus require a  $\frac{2}{3}$  vote.

*The bill would provide that its provisions are not severable.*

*The bill would make its operation contingent on the enactment of SB 292 of the 2019–20 Regular Session.*

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

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— 3 — AB 2167

*The people of the State of California do enact as follows:*

1 SECTION 1. (a) The Legislature finds and declares all of the  
2 following

3 (a)

4 (1) Climate change has created a new reality in California.  
5 Fifteen of the 20 most destructive wildfires in the state's history  
6 have occurred since 2000 and 10 of the most destructive fires have  
7 occurred since 2015. *More people died from wildfires in 2017 and*  
8 *2018 than in the last 10 years combined.*

9 (A) *Igniting November 8, 2018, the Camp Fire burned for 17*  
10 *days, killed at least 85 people, and destroyed over 18,800*  
11 *structures. It is not only the most expensive wildfire in United*  
12 *States history, but was the most expensive natural disaster*  
13 *worldwide in 2018. Insured losses reached \$12.5 billion, while*  
14 *total losses were \$16.5 billion.*

15 (B) *Also igniting November 8, 2018, the Woolsey Fire burned*  
16 *for 14 days, killed three people, and destroyed over 1,600*  
17 *buildings. Insured losses are estimated at \$3 billion to \$5 billion*  
18 *of the \$6 billion in total property losses.*

19 (C) *Igniting July 23, 2018, the Carr Fire burned for 37 days,*  
20 *killed eight people, including three firefighters, and destroyed over*  
21 *1,600 structures. The fire caused over \$1.5 billion in property*  
22 *damage.*

23 (D) *Igniting December 4, 2017, the Thomas Fire burned for 39*  
24 *days, killed 23 people, including one firefighter and 21 people*  
25 *from a resulting mudslide, and destroyed over 1,000 structures.*  
26 *The fire caused over \$2.2 billion in damages.*

27 (E) *Igniting October 8, 2017, the Tubbs Fire burned for 12 days,*  
28 *killed 22 people, and destroyed over 5,600 structures. Insured*  
29 *losses are estimated to be between \$7.5 billion and \$9.5 billion.*

30 (F) *Igniting October 8, 2017, the Atlas Fire burned for 12 days,*  
31 *destroyed 25,000 acres, and destroyed over 700 buildings. Insured*  
32 *losses are estimated to be between \$2.5 billion and \$4.5 billion.*

33 (G) *Burning for over three months in 2018, a less costly seventh*

34 *fire, the Mendocino Complex Fire, became the largest recorded*  
 35 *fire in state history when it consumed over 459,000 acres, more*  
 36 *than the previous largest fire, the Thomas Fire, in 2017.*  
 37 (b)

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**AB 2167 — 4 —**

1 (2) Fire season in California has changed. In the western United  
 2 States, the length of the fire season is over 80 days longer than it  
 3 was in the 1970s. According to research from the University of  
 4 California, Los Angeles, residents may no longer expect fire season  
 5 to end in September. Instead, the onset of seasonal rain can be  
 6 delayed into October or even November. These longer periods  
 7 without rain, combined with the well-known, heavy wind patterns  
 8 of autumn, have created increased likelihood of uncontrollable,  
 9 severe fires that endanger life and property. The Camp Fire in  
 10 Paradise is an example of a fire that started after the end of the  
 11 traditional fire season.

12 (e)  
 13 (3) The impact of catastrophic fires is multifaceted. While the  
 14 governmental costs of fire response and suppression are significant,  
 15 research from Headwaters Economics indicates those costs are  
 16 less than 10 percent of the total costs. Combined with suppression  
 17 expenses, other short-term costs, including evacuation and aid  
 18 relief, road stabilization, and home and property loss only represent  
 19 35 percent of the total wildfire-related costs. Longer term costs,  
 20 including loss of property value, tax revenue, and business revenue,  
 21 as well as landscape rehabilitation, infrastructure repair, loss of  
 22 ecosystem services, and human casualties represent the remaining  
 23 65 percent.

24 (4) *According to a Department of Insurance 2018 report on*  
 25 *the availability and affordability of wildfire coverage, major*  
 26 *insurers are pulling back from writing new policies or renewing*  
 27 *policies in the wildland-urban interface (WUI) fire areas.*  
 28 *Additionally, premiums are increasing in the WUI, and most*  
 29 *insurers do not take into consideration wildfire mitigation*  
 30 *conducted by the homeowner or the community. This is in part*  
 31 *because no single insurer has loss experience in the WUI to*  
 32 *validate the rates and premiums charged for each wild fire risk*  
 33 *model score. The department's report further states that a credible*  
 34 *database for wildfire loss experience in the WUI is needed in order*  
 35 *for insurers to use rating plans that impact rates in the WUI and*  
 36 *suggests that the Legislature should create a framework within*  
 37 *which insurers offer a mitigation premium credit for property*  
 38 *owners that conduct proper mitigation.*

39 (5) *The National Institute of Building Sciences studied 23 years*  
40 *of federally funded mitigation grants provided by the Federal*

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1 *Emergency Management Agency (FEMA), the United States*  
2 *Economic Development Administration, and the United States*  
3 *Department of Housing and Urban Development, and found that*  
4 *hazard mitigation funding saves six dollars (\$6) in future disaster*  
5 *costs for every one dollar (\$1) invested. Further, the study found*  
6 *that designing buildings to meet the 2018 International Residential*  
7 *Code and 2018 International Building Code would provide a*  
8 *national benefit of eleven dollars (\$11) for every one dollar (\$1)*  
9 *of investment when compared to 1990-era building codes and*  
10 *National Flood Insurance Program requirements.*

11 (6) *Studying, developing, and incentivizing homeowners to*  
12 *actively participate in, actuarially sound wildfire mitigation*  
13 *measures is therefore a fiscally prudent policy with the potential*  
14 *to save lives and prevent billions of dollars in future losses from*  
15 *occurring. A regularly updated and secure central database of*  
16 *publicly held housing infrastructure information, deployed in*  
17 *support of a public catastrophic loss model, has the potential to*  
18 *significantly enhance statewide disaster planning and response*  
19 *efforts, as well as quantify the benefit of homeowners' mitigation*  
20 *efforts. In order to accomplish this goal, it is important for the*  
21 *state to partner with insurers, insurance research organizations,*  
22 *and local agencies to develop easily and uniformly enforced*  
23 *defensible space practices and measurable mitigation efforts for*  
24 *future study.*

25 (7) *Research shows that homeowners' risk reduction behaviors*  
26 *are influenced by the perceived effectiveness of the activities and*  
27 *their perceived ability to complete them. Public outreach,*  
28 *information sharing, and a communitywide collaborative process*  
29 *on wildfire protection planning have been found to build trust*  
30 *among residents and local fire agencies. It is the intent of the*  
31 *Legislature to partner with local agencies throughout California's*  
32 *diverse wildfire risk regions in support of collecting regionally*  
33 *specific housing infrastructure information in support of developing*  
34 *regionally specific loss modeling.*

35 (d)

36 (8) *Residential property insurance provides essential financial*  
37 *security for California residents for both short-term and long-term*  
38 *costs. Insurance supports temporary needs for housing and*  
39 *transportation for fire victims, intermediate needs for debris and*  
40 *hazardous materials removal from fire-affected properties, and*

**AB 2167 — 6 —**

1 long-term rebuilding of structures and replacement of personal  
2 property. There is no governmental program that provides similar  
3 comprehensive assistance for California residents and it is,  
4 therefore, vital for the State of California to ensure the existence  
5 of a vibrant residential property insurance marketplace capable of  
6 serving all communities.

7 (e)

8 (9) Strains in the residential property insurance system are  
9 becoming evident. As the Senate Committee on Insurance noted  
10 in its 2019 informational hearing on homeowners' insurance  
11 availability and affordability, California policyholders have  
12 "enjoyed a long spell of low insurance rates" but "climate change,  
13 drought, population movement, and other factors may be changing  
14 the fundamental nature of the homeowners' insurance market."  
15 Analysis of countrywide data from the National Association of  
16 Insurance Commissioners indicates that average homeowners'  
17 insurance rates in California rank 32nd in the country and, when  
18 adjusted for differences in regional costs, rank 49th in the country,  
19 at less than one-half the cost for insurance in states exposed to  
20 other natural disasters, including hurricanes.

21 (f)

22 (10) As part of a similar 2019 investigation of the homeowners'  
23 insurance market, the Assembly Committee on Insurance noted  
24 the acceleration of losses in this environment of relatively low  
25 rates, finding that a "study of the homeowners' insurance market  
26 released in 2018 as part of California's Fourth Climate Change  
27 Assessment found that insured losses through 2017 wiped out the  
28 entire underwriting profit insurers earned since 2000. The 2018  
29 fires continued with another round of enormous losses." The  
30 committee cautioned against a legislative response that "increases  
31 the likelihood of any policy change to generate unintended  
32 consequences" and guarding against the great risk that regulating  
33 some, but not all, of the important aspects of insurance could  
34 "significantly disrupt a homeowners' insurance market that is  
35 effectively serving a great majority of California homeowners."

36 (g)

37 (11) The final report of the Governor's Commission on  
38 Catastrophic Wildfire Cost and Recovery attempted to reconcile  
39 the various competing interests associated with insurance  
40 availability, risk selection, and pricing. The commission noted that



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1 “while insurance is still largely available, it will become  
2 increasingly unavailable and/or unaffordable for many in the  
3 wildland urban interface in California.” In attempting to harmonize  
4 the various competing interests for California, the commission  
5 recommended preserving risk-based insurance pricing, while  
6 avoiding cross-subsidies of high-risk areas by low-risk areas, as  
7 well as developing incentives for parcel and community level loss  
8 mitigation  
9 efforts.

9 (h)

10 (b) Based upon this extensive investigation in both the legislative  
11 and executive branches, the Legislature ~~has determined~~ *determines*  
12 that a state policy response is required to solve several issues  
13 simultaneously, ~~including~~, *including* all of the following:

14 (1) Ensuring insurance rates are adequate to avoid insurer  
15 insolvencies and to permit insurers to operate in the state’s highest  
16 risk areas, while imposing restrictions on rates above actuarially  
17 justified levels.

18 (2) Reducing the number of residents that are required to rely  
19 upon the California FAIR Plan, which the State of California  
20 created to provide a market of last resort but which is a catastrophic  
21 insurance pool at rate levels far higher than the regular insurance  
22 market.

23 (3) Incentivizing insurers to seek cost-based rates in exchange  
24 for assurances that they will serve high-risk communities at levels  
25 similar to their statewide presence.

26 (4) Developing systems of accountability for individual and  
27 community-based loss mitigation efforts.

28 (c) *Recent wildfires have contributed to a surge of residential*  
29 *property insurance policies being issued by the FAIR Plan in*  
30 *numbers approaching that seen after the Northridge earthquake.*  
31 *In order to monitor surges in new FAIR Plan policies and to create*  
32 *a standard threshold to indicate when admitted market residential*  
33 *property insurance availability in specified areas of the state has*  
34 *declined, the Legislature determines that it is necessary to do all*  
35 *of the following:*

36 (1) *Create a standard threshold for residential property*  
37 *insurance policies to qualify for the Insurance Market Action Plan*  
38 *(IMAP), established by this act, based on monitoring surges in*  
39 *FAIR Plan new business that indicate a contracting insurance*  
40 *market.*

**AB 2167 — 8 —**

1     (2) Incentivize insurers to seek cost-based rates in exchange  
2 for assurances that they will maintain an adequate presence in  
3 specified high-risk areas of the state, and evaluate the effectiveness  
4 of these methods at reducing reliance on the FAIR Plan in eligible  
5 areas, thereby maintaining an adequate supply of admitted market  
6 insurance at a price more affordable to most consumers than that  
7 offered by the FAIR Plan.

8     (3) Establish a scientifically advanced probabilistic wildfire  
9 loss model for the purpose of providing property and casualty  
10 insurers access to a state of the art public tool that is accessible  
11 for comparison, evaluation, and analysis of modeled risk  
12 assumptions used in support of IMAP rate filings. In this regard,  
13 it is the intent of the Legislature to convene an advisory committee  
14 of public and private stakeholders to design standards for the use  
15 of probabilistic wildfire loss models in residential property  
16 insurance rate development, and to establish a database and  
17 computer model for that purpose.

18     (A) The Legislature finds these measures are necessary to limit  
19 the number of insurer-initiated nonrenewals that occur in response  
20 to changes in the understanding of wildfire risk and to limit  
21 homeowners' reliance on the California FAIR Plan.

22     (B) The Legislature finds that such a model is an objective public  
23 tool that will promote precision in loss projection, and that  
24 decreasing the uncertainty of future losses in this state is necessary  
25 to stabilize large price swings in the residential property insurance  
26 market.

27     (C) The Legislature further intends that such a model be  
28 available to assist state and local governments incorporate a  
29 modeled understanding of the costs of wildfire risk in their planning  
30 processes.

31 (†)

32     (d) To the extent that a court may find that this legislation  
33 amends the Insurance Rate Reduction and Reform Act of 1988,  
34 an initiative measure, enacted by Proposition 103, as approved by  
35 the voters at the November 8, 1988, statewide general election,  
36 the Legislature has determined that this act furthers the purpose  
37 of Proposition 103 because the primary goal of this act is to  
38 increase statewide availability of insurance using risk-based pricing  
39 subject to the prior approval of the Insurance Commissioner, and

1 seeks to prevent unfair discrimination in pricing or unjustified  
2 regional subsidies in high fire-risk areas.

3 SEC. 2. Chapter 12 (commencing with Section 10109) is added  
4 to Part 1 of Division 2 of the Insurance Code, to  
read: 5

6 Chapter 12. ~~Insurance Market Action Plan~~ *Wildfire*  
7 *Risk Modeling and Mitigation*

8  
9 *Article 1. Insurance Market Action Plan*

10

11 ~~10109. (a) The Insurance Market Action Plan (IMAP) program~~  
12 ~~is hereby established.~~

13 ~~(b) (1) Residential property insurance policies in a county may~~  
14 ~~qualify for insurance market action plan (IMAP) protection if~~  
15 ~~residential property insurance policies issued by the California~~  
16 ~~FAIR Plan constitute 3 percent or more of all policies issued and~~  
17 ~~in force in the county, as annually calculated by the department~~  
18 ~~and the Department of Finance.~~

19 ~~(2) A county that meets the requirements of paragraph (1) shall~~  
20 ~~be designated by the department as an IMAP county.~~

21 ~~(c) If the IMAP process implemented by this chapter results in~~  
22 ~~eliminating the eligibility of all counties from being qualified under~~  
23 ~~subdivision (b), an insurer may continue to make IMAP filings~~  
24 ~~pursuant to this chapter.~~

25 *10109. (a) The Insurance Market Action Plan (IMAP) program*  
26 *is hereby established.*

27 *(b) Residential property insurance policies in a county may*  
28 *qualify for insurance market action plan (IMAP) protection if the*  
29 *requirements of this article are met.*

30 ~~10109.1 (a) An insurer may submit an IMAP filing submitted~~  
31 ~~to the department, which department by an insurer shall include~~  
32 ~~all of the following:~~

33 (1) A request for adequate rates, as described in Section 10109.3.

34 (2) A plan for maintaining the insurer's solvency as policy count  
35 grows in IMAP counties, taking into account, among other things,  
36 risks related to overconcentration in high-risk communities.

37 (3) Parcel-level and community-based mitigation and  
38 verification requirements, as described in Section 10109.2.

39 (4) *A list of the areas within an IMAP eligible county in which*  
40 *the insurer proposes to issue residential property insurance*

1 pursuant to its IMAP filing, and a list of the areas within that  
2 county in which the insurer shall not issue residential property  
3 insurance pursuant to its IMAP filing.

4 (b) (1) An insurer shall commit in the IMAP to offer new and  
5 renewal residential property insurance policies in a set of IMAP  
6 counties until the insurer achieves a market penetration rate in  
7 those IMAP counties that is no lower than 85 percent of its  
8 statewide market penetration rate. The IMAP commitment shall  
9 be calculated based on the insurer's residential property insurance  
10 policy count across the entire designated set of IMAP counties,  
11 but need not be met in each county individually.

12 (2) Notwithstanding paragraph (1), an insurer shall monitor and  
13 avoid overconcentration in any one particular area within an IMAP  
14 county or across a particular IMAP county in order to prevent a  
15 catastrophic loss that could impair its solvency.

16 ~~10109.2. An IMAP filing shall set forth the mitigation standards  
17 required in order for counties to qualify for IMAP protection,  
18 including all of the following:~~

19 ~~(a) Objective standards for parcel-level mitigation, along with  
20 procedures for verifying that the mitigation actually occurred,  
21 including any required governmental or third-party certifications.~~

22 ~~(b) Requirements for community certifications, if any, including  
23 designation as a Firewise USA site by the National Fire Protection  
24 Association.~~

25 10109.3. (a) A rate proposed as part of an IMAP filing shall  
26 not be excessive, inadequate, or unfairly discriminatory, and shall  
27 be actuarially sound so that premiums are adequate to cover  
28 expected losses, expenses, and taxes, and shall reflect investment  
29 income of the insurer.

30 (b) A rate requested as part of an IMAP filing shall be subject  
31 to the prior approval of the commissioner.

32 ~~10109.4. A rate requested as part of an IMAP filing may be  
33 based on a complex catastrophe model, as follows:~~

34 ~~(a) The complex catastrophe model shall be based on the best  
35 available scientific information for assessing the risk of catastrophic  
36 wildfire frequency, severity, and loss.~~

37 ~~(b) The projected losses derived from the catastrophe model  
38 shall meet all applicable statutory standards.~~

39 ~~(c) The complex catastrophe model shall consider both  
40 parcel-level mitigation and regional mitigation.~~

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1 10109.5. (a) An insurer that submits an IMAP filing pursuant  
2 to this chapter shall receive an expedited review of its rate filing  
3 if either of the following conditions are met:

4 (1) The insurer uses an actuarial assumption for trend and loss  
5 development that is at the midpoint or less of rate impacts, and  
6 does not otherwise change any other aspect of its rate filing from  
7 its previous department approved rate.

8 (2) The insurer files for a rate increase based solely on increased  
9 reinsurance costs, subject to the requirements of Section 10109.6,  
10 and does not otherwise change any other aspect of its rate filing  
11 from its previous department approved rate.

12 (b) The time period for the expedited rate review shall not  
13 exceed 120 days, and the department shall not request that the  
14 insurer waive the 120-day requirement.

15 (c) If the department does not approve the filing within the 120  
16 days, the IMAP filing is automatically withdrawn and the insurer  
17 may continue with its previously approved rate and the insurer  
18 retains the ability to select risks without meeting the requirements  
19 of subdivision (b) of Section 10109.1.

20 (d) Notwithstanding subdivision (c), if an insurer submits an  
21 IMAP filing to amend a rate level approved in a previous IMAP  
22 filing, and the department does not approve the filing within the  
23 120 days, the insurer's IMAP commitments, including the  
24 ~~commitments~~ *commitment* required by subdivision (b) of Section  
25 10109.1, shall be suspended until the department and the insurer  
26 reach agreement on the filing.

27 10109.6. If a rate requested as part of an IMAP filing includes  
28 the net costs of reinsurance, including internal or external  
29 reinsurance, the reinsurance agreement shall be entered into in  
30 good faith in an arm's length transaction and at fair market value  
31 for the coverage provided. The reinsurance shall meet the  
32 department's statement credit requirements.

33 10109.7. If an insurer submits an IMAP filing pursuant to this  
34 chapter and the department or an intervener objects to an issue  
35 other than the rate calculation, then the expedited IMAP rate filing  
36 shall be processed separately from the contested issue so that the  
37 contested issue does not delay the expedited rate filing. If, based  
38 on the contested issue, the department orders a nonconsensual  
39 change to the IMAP, the insurer's IMAP requirements shall be

1 suspended until the department and the insurer agree upon revised  
2 terms for the IMAP.

3 ~~10109.8. On or before January 1, 2023, the Office of Planning  
4 and Research shall issue a report outlining the effectiveness of the  
5 IMAP program that includes, but is not limited to, all of the  
6 following:~~

7 ~~(a) An analysis of whether the IMAP program achieved average  
8 admitted market rates lower than the California FAIR Plan plus  
9 difference in condition policies.~~

10 ~~(b) An analysis of the overall progress of the IMAP program  
11 towards achieving market penetration goals in IMAP counties.  
12 This data shall be reported in aggregate.~~

13 ~~(c) Recommendations for continued improvements to the IMAP  
14 program.~~

15 *SEC. 3. The provisions of this act are not severable. If any  
16 provision of this act or its application is held invalid, all other  
17 provisions of this act shall also be held invalid.*

18 *SEC. 4. This act shall become operative only if Senate Bill 292  
19 of the 2019–20 Regular Session is enacted and becomes effective  
20 on or before January 1, 2021.*

O

AMENDED IN ASSEMBLY MAY 4, 2020

AMENDED IN ASSEMBLY JUNE 17, 2019

**SENATE BILL No. 292**

**Introduced by Senator Rubio**

*(Principal coauthor: Assembly Member Daly)*

**(Coauthor: Senator Jones)**

*(Coauthors: Assembly Members Cooley, Mayes, and Medina)*

February 14, 2019

An act to add ~~Division 6 (commencing with Section 17000) to the Insurance Code, relating to disaster mitigation, and making an appropriation therefor. Sections 10109.05, 10109.07, 10109.2, 10109.4, and 10109.8 to, and to add Article 2 (commencing with Section 10109.10) to Chapter 12 of Part 1 of Division 2 of, the Insurance Code, relating to insurance.~~

legislative counsel's digest

SB 292, as amended, Rubio. ~~Prepared California Disaster Mitigation Fund. Wildfire risk modeling and mitigation.~~

*The Insurance Rate Reduction and Reform Act of 1988, an initiative measure enacted by Proposition 103, as approved by the voters at the November 8, 1988, statewide general election, prohibits specified insurance rates from being approved or remaining in effect that are excessive, inadequate, unfairly discriminatory, or otherwise in violation of the act. The act requires an insurer that wishes to change a rate to file a complete rate application with the Insurance Commissioner and deems the application approved 60 days after public notice of the application unless certain events occur, including that a consumer requests a hearing, or the commissioner determines to hold a hearing.*

97

**SB 292 — 2 —**

*The act requires hearings to be conducted pursuant to specified provisions of law governing administrative hearings.*

*Under existing law, the California FAIR Plan Association is a joint reinsurance association in which all insurers licensed to write basic property insurance participate in administering a program for the equitable apportionment of basic property insurance for persons who are unable to obtain that coverage through normal channels.*

*This bill would require the association, on or before January 31 and July 31 of each year, to submit a report to the commissioner that lists certain counties, according to specified population thresholds, in which the number of new residential property insurance policies issued by the FAIR Plan during the prior 6 months equals a certain percentage of the number of single family residences in that county. The bill would require a county listed on the report to be designated*

by the department as an insurance market protection (IMAP) eligible county under the IMAP program that would be established if AB 2167 of the 2019–20 Regular Session is enacted. The bill would authorize an insurer to submit an IMAP filing to the department for residential property insurance policies issued in an IMAP eligible county and would require the IMAP filing to set forth specified mitigation standards. The bill would require the Office of Planning and Research, on or before, January 1, 2023, to issue a report outlining the effectiveness of the IMAP program.

This bill would state the intent of the Legislature to establish a commission in state government consisting of the Insurance Commissioner, the State Fire Marshall, the Executive Director of the California Building Standards, and the Director of Emergency Services to, among other things, convene stakeholders to develop regionally specific community hardening standards that have the propensity for reducing loss due to wildfires. The bill would create the Catastrophic Modeling Advisory Committee to be chaired jointly by the Insurance Commissioner and the Director of Emergency Services, or their designees. The bill would prescribe the membership of the advisory committee and would require the advisory committee to, among other things, deliver to the Office of Emergency Services, on or before July 1, 2024, a comprehensive report detailing a plan for the Office of Emergency Services to, upon appropriation by the Legislature, establish and operate a public catastrophic loss model.

The bill would provide that its provisions are not severable.

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The bill would make its operation contingent on the enactment of AB 2167 of the 2019–20 Regular Session.

~~Existing law establishes the Department of Insurance, headed by the Insurance Commissioner, which regulates insurers and insurance practices. Existing law establishes various classes of insurance, including, among others, fire and automobile insurance. Other existing law establishes various grant programs aimed at funding disaster mitigation activities, including a local assistance grant program for fire prevention administered by the Department of Forestry and Fire Protection, the Earthquake Brace and Bolt program administered by the California Residential Mitigation Program, a joint powers authority comprised of the California Earthquake Authority and the Office of Emergency Services, and specified flood prevention programs administered by the Department of Water Resources.~~

~~This bill would create the Prepared California Disaster Mitigation Board in state government comprised of specified state officers or their designees and appointed members of the public, as specified. The bill would also establish the Prepared California Disaster Mitigation Program to be administered by the board to award grants to homeowners for fire-related disaster mitigation activities, as specified.~~



~~The bill would create the Prepared California Disaster Mitigation Fund, as a continuously appropriated fund, for purposes of disaster mitigation. The bill would impose a \$12 annual assessment on all residential property insurance policies, a \$6 per vehicle annual assessment on all private passenger and commercial automobile insurance policies, and an annual assessment of 1% of the annual premium on all commercial insurance policies covering physical property damage or business interruption. The bill would require the assessments to be collected from policyholders by insurers and remitted to the department for deposit into the fund. By creating a continuously appropriated fund, the bill would make an appropriation.~~

~~The bill would require the board to annually distribute money from the fund, as it deems appropriate, based on the disaster mitigation needs of the state to specified state agencies, including at least 20% each to the Department of Forestry and Fire Protection for purposes of a local assistance grant program for fire protection activities, to the California Earthquake Authority for purposes of awarding grants pursuant to the Earthquake Brace and Bolt program, to the Department of Water Resources for purposes of specified flood control programs, and to the board to be awarded pursuant to the Prepared California Disaster~~

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~~Mitigation Program for purposes of grants to homeowners for fire-related disaster mitigation purposes. The bill would require the Department of Forestry and Fire Protection, the California Earthquake Authority, and the Department of Water Resources to report specified information to the board relating to the types of mitigation activities funded and information sufficient to allow the board to study mitigation effectiveness, as specified.~~

~~The bill would require the board to prepare a report to be submitted to the Legislature on or before January 1, 2021, and annually thereafter, that includes, among other things, a summary of the mitigation measures funded and an analysis of the effectiveness of those mitigation measures in preventing losses from wildfires, earthquakes, and floods, as specified. The bill would also require the board to prepare and submit a report to the Legislature on or before January 1, 2024, that contains recommendations for model homeowners insurance discounts based on the risk mitigation measures that the board has determined to reduce loss.~~

~~Vote:  $\frac{2}{3}$  majority. Appropriation: yes-no. Fiscal committee: yes.  
State-mandated local program: no.~~

*The people of the State of California do enact as follows:*

- 3     SECTION 1. (a) The Legislature finds and declares all of the  
4     following:  
5     (1) Climate change has created a new reality in California.

6 Fifteen of the 20 most destructive wildfires in the state's history  
7 have occurred since 2000 and 10 of the most destructive fires have  
8 occurred since 2015. More people died from wildfires in 2017 and  
9 2018 than in the last 10 years combined.

10 (A) Igniting November 8, 2018, the Camp Fire burned for 17  
11 days, killed at least 85 people, and destroyed over 18,800  
12 structures. It is not only the most expensive wildfire in United  
13 States history, but was the most expensive natural disaster  
14 worldwide in 2018. Insured losses reached \$12.5 billion, while  
15 total losses were \$16.5 billion.

16 (B) Also igniting November 8, 2018, the Woolsey Fire burned  
17 for 14 days, killed three people, and destroyed over 1,600  
18 buildings. Insured losses are estimated at \$3 billion to \$5 billion  
19 of the \$6 billion in total property losses.

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37 (C) Igniting July 23, 2018, the Carr Fire burned for 37 days,  
38 killed eight people, including three firefighters, and destroyed over  
39 1,600 structures. The fire caused over \$1.5 billion in property  
40 damage.

41 (D) Igniting December 4, 2017, the Thomas Fire burned for 39  
42 days, killed 23 people, including one firefighter and 21 people  
43 from a resulting mudslide, and destroyed over 1,000 structures.  
44 The fire caused over \$2.2 billion in damages.

45 (E) Igniting October 8, 2017, the Tubbs Fire burned for 12 days,  
46 killed 22 people, and destroyed over 5,600 structures. Insured  
47 losses are estimated to be between \$7.5 billion and \$9.5 billion.

48 (F) Igniting October 8, 2017, the Atlas Fire burned for 12 days,  
49 destroyed 25,000 acres, and destroyed over 700 buildings. Insured  
50 losses are estimated to be between \$2.5 billion and \$4.5 billion.

51 (G) Burning for over three months in 2018, a less costly seventh  
52 fire, the Mendocino Complex Fire, became the largest recorded  
53 fire in state history when it consumed over 459,000 acres, more  
54 than the previous largest fire, the Thomas Fire, in 2017.

55 (2) Fire season in California has changed. In the western United  
56 States, the length of the fire season is over 80 days longer than it  
57 was in the 1970s. According to research from the University of  
58 California, Los Angeles, residents may no longer expect fire season  
59 to end in September. Instead, the onset of seasonal rain can be  
60 delayed into October or even November. These longer periods  
61 without rain, combined with the well-known, heavy wind patterns  
62 of autumn, have created increased likelihood of uncontrollable,  
63 severe fires that endanger life and property. The Camp Fire in  
64 Paradise is an example of a fire that started after the end of the  
65 traditional fire season.

66 (3) The impact of catastrophic fires is multifaceted. While the  
67 governmental costs of fire response and suppression are  
68 significant, research from Headwaters Economics indicates those  
69 costs are less than 10 percent of the total costs. Combined with

70 *suppression expenses, other short-term costs, including evacuation*  
 71 *and aid relief, road stabilization, and home and property loss only*  
 72 *represent 35 percent of the total wildfire-related costs. Longer*  
 73 *term costs, including loss of property value, tax revenue, and*  
 74 *business revenue, as well as landscape rehabilitation,*  
 75 *infrastructure repair, loss of ecosystem services, and human*  
 76 *casualties represent the remaining 65 percent.*

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12 *(4) According to a Department of Insurance 2018 report on the*  
 13 *availability and affordability of wildfire coverage, major insurers*  
 14 *are pulling back from writing new policies or renewing policies*  
 15 *in the wildland-urban interface (WUI) fire areas. Additionally,*  
 16 *premiums are increasing in the WUI, and most insurers do not*  
 17 *take into consideration wildfire mitigation conducted by the*  
 18 *homeowner or the community. This is in part because no single*  
 19 *insurer has loss experience in the WUI to validate the rates and*  
 20 *premiums charged for each wild fire risk model score. The*  
 21 *department's report further states that a credible database for*  
 22 *wildfire loss experience in the WUI is needed in order for insurers*  
 23 *to use rating plans that impact rates in the WUI and suggests that*  
 24 *the Legislature should create a framework within which insurers*  
 25 *offer a mitigation premium credit for property owners that conduct*  
 26 *proper mitigation.*

27 *(5) The National Institute of Building Sciences studied 23 years*  
 28 *of federally funded mitigation grants provided by the Federal*  
 29 *Emergency Management Agency (FEMA), the United States*  
 30 *Economic Development Administration, and the United States*  
 31 *Department of Housing and Urban Development, and found that*  
 32 *hazard mitigation funding saves \$6 in future disaster costs for*  
 33 *every \$1 invested. Further, the study found that designing buildings*  
 34 *to meet the 2018 International Residential Code and 2018*  
 35 *International Building Code would provide a national benefit of*  
 36 *\$11 for every \$1 of investment when compared to 1990-era building*  
 37 *codes and National Flood Insurance Program requirements.*

38 *(6) Studying, developing, and incentivizing homeowners to*  
 39 *actively participate in, actuarially sound wildfire mitigation*  
 40 *measures is therefore a fiscally prudent policy with the potential*  
 41 *to save lives and prevent billions of dollars in future losses from*  
 42 *occurring. A regularly updated and secure central database of*  
 43 *publicly held housing infrastructure information, deployed in*  
 44 *support of a public catastrophic loss model, has the potential to*  
 45 *significantly enhance statewide disaster planning and response*  
 46 *efforts, as well as quantify the benefit of homeowners' mitigation*  
 47 *efforts. In order to accomplish this goal, it is important for the*  
 48 *state to partner with insurers, insurance research organizations,*  
 49 *and local agencies to develop easily and uniformly enforced*  
 50 *defensible space practices and measurable mitigation efforts for*

51 *future study.*

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41 (7) *Research shows that homeowners' risk reduction behaviors*  
 42 *are influenced by the perceived effectiveness of the activities and*  
 43 *their perceived ability to complete them. Public outreach,*  
 44 *information sharing, and a communitywide collaborative process*  
 45 *on wildfire protection planning have been found to build trust*  
 46 *among residents and local fire agencies. It is the intent of the*  
 47 *Legislature to partner with local agencies throughout California's*  
 48 *diverse wildfire risk regions in support of collecting regionally*  
 49 *specific housing infrastructure information in support of developing*  
 50 *regionally specific loss modeling.*

51 (8) *Residential property insurance provides essential financial*  
 52 *security for California residents for both short-term and long-term*  
 53 *costs. Insurance supports temporary needs for housing and*  
 54 *transportation for fire victims, intermediate needs for debris and*  
 55 *hazardous materials removal from fire-affected properties, and*  
 56 *long-term rebuilding of structures and replacement of personal*  
 57 *property. There is no governmental program that provides similar*  
 58 *comprehensive assistance for California residents and it is,*  
 59 *therefore, vital for the State of California to ensure the existence*  
 60 *of a vibrant residential property insurance marketplace capable*  
 61 *of serving all communities.*

62 (9) *Strains in the residential property insurance system are*  
 63 *becoming evident. As the Senate Committee on Insurance noted*  
 64 *in its 2019 informational hearing on homeowners' insurance*  
 65 *availability and affordability, California policyholders have*  
 66 *"enjoyed a long spell of low insurance rates" but "climate change,*  
 67 *drought, population movement, and other factors may be changing*  
 68 *the fundamental nature of the homeowners' insurance market."*  
 69 *Analysis of countrywide data from the National Association of*  
 70 *Insurance Commissioners indicates that average homeowners'*  
 71 *insurance rates in California rank 32nd in the country and, when*  
 72 *adjusted for differences in regional costs, rank 49th in the country,*  
 73 *at less than one-half the cost for insurance in states exposed to*  
 74 *other natural disasters, including hurricanes.*

75 (10) *As part of a similar 2019 investigation of the homeowners'*  
 76 *insurance market, the Assembly Committee on Insurance noted*  
 77 *the acceleration of losses in this environment of relatively low*  
 78 *rates, finding that a "study of the homeowners' insurance market*  
 79 *released in 2018 as part of California's Fourth Climate Change*  
 80 *Assessment found that insured losses through 2017 wiped out the*

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35 *entire underwriting profit insurers earned since 2000. The 2018*  
 36 *fires continued with another round of enormous losses.” The*  
 37 *committee cautioned against a legislative response that “increases*  
 38 *the likelihood of any policy change to generate unintended*  
 39 *consequences” and guarding against the great risk that regulating*  
 40 *some, but not all, of the important aspects of insurance could*  
 41 *“significantly disrupt a homeowners’ insurance market that is*  
 42 *effectively serving a great majority of California homeowners.”*

43 *(11) The final report of the Governor’s Commission on*  
 44 *Catastrophic Wildfire Cost and Recovery attempted to reconcile*  
 45 *the various competing interests associated with insurance*  
 46 *availability, risk selection, and pricing. The commission noted that*  
 47 *“while insurance is still largely available, it will become*  
 48 *increasingly unavailable and/or unaffordable for many in the*  
 49 *wildland urban interface in California.” In attempting to*  
 50 *harmonize the various competing interests for California, the*  
 51 *commission recommended preserving risk-based insurance pricing,*  
 52 *while avoiding cross-subsidies of high-risk areas by low-risk areas,*  
 53 *as well as developing incentives for parcel and community level*  
 54 *loss mitigation efforts.*

55 *(b) Based upon this extensive investigation in both the legislative*  
 56 *and executive branches, the Legislature determines that a state*  
 57 *policy response is required to solve several issues simultaneously,*  
 58 *including all of the following:*

59 *(1) Ensuring insurance rates are adequate to avoid insurer*  
 60 *insolvencies and to permit insurers to operate in the state’s highest*  
 61 *risk areas, while imposing restrictions on rates above actuarially*  
 62 *justified levels.*

63 *(2) Reducing the number of residents that are required to rely*  
 64 *upon the California FAIR Plan, which the State of California*  
 65 *created to provide a market of last resort but which is a*  
 66 *catastrophic insurance pool at rate levels far higher than the*  
 67 *regular insurance market.*

68 *(3) Incentivizing insurers to seek cost-based rates in exchange*  
 69 *for assurances that they will serve high-risk communities at levels*  
 70 *similar to their statewide presence.*

71 *(4) Developing systems of accountability for individual and*  
 72 *community-based loss mitigation efforts.*

73 *(c) Recent wildfires have contributed to a surge of residential*  
 74 *property insurance policies being issued by the FAIR Plan in*

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41 *numbers approaching that seen after the Northridge earthquake.*  
 42 *In order to monitor the surges in new FAIR Plan policies and to*  
 43 *create a standard threshold to indicate when admitted market*  
 44 *residential property insurance availability in specified areas of*  
 45 *the state has declined, the Legislature determines that it is*  
 46 *necessary to do all of the following:*

47 (1) Create a standard threshold for residential property  
48 insurance policies to qualify for the Insurance Market Action Plan  
49 (IMAP), established by this act, based on monitoring surges in  
50 FAIR Plan new business that indicate a contracting insurance  
51 market.

52 (2) Incentivize insurers to seek cost-based rates in exchange  
53 for assurances that they will maintain an adequate presence in  
54 specified high-risk areas of the state, and evaluate the effectiveness  
55 of these methods at reducing reliance on the FAIR Plan in eligible  
56 areas, thereby maintaining an adequate supply of admitted market  
57 insurance at a price more affordable to most consumers than that  
58 offered by the FAIR Plan.

59 (3) Establish a scientifically advanced probabilistic wildfire  
60 loss model for the purpose of providing property and casualty  
61 insurers access to a state of the art public tool that is accessible  
62 for comparison, evaluation, and analysis of modeled risk  
63 assumptions used in support of IMAP rate filings. In this regard,  
64 it is the intent of the Legislature to convene an advisory committee  
65 of public and private stakeholders to design standards for the use  
66 of probabilistic wildfire loss models in residential property  
67 insurance rate development, and to establish a database and  
68 computer model for that purpose.

69 (4) The Legislature finds these measures are necessary to limit  
70 the number of insurer-initiated nonrenewals that occur in response  
71 to changes in the understanding of wildfire risk and to limit  
72 homeowners' reliance on the California FAIR Plan.

73 (A) The Legislature finds that such a model is an objective public  
74 tool that will promote precision in loss projection, and that  
75 decreasing the uncertainty of future losses in this state is necessary  
76 to stabilize large price swings in the residential property insurance  
77 market.

78 (B) The Legislature further intends that such a model be  
79 available to assist state and local governments incorporate a

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7 modeled understanding of the costs of wildfire risk in their planning  
8 processes.

9 SEC. 2. Section 10109.05 is added to the Insurance Code, to  
10 read:

11 10109.05. (a) The California FAIR Plan Association shall, on  
12 a biannual basis, submit a report to the commissioner that lists  
13 the counties that meet the following criteria:

14 (1) The county has a population of 200,000 or fewer residents  
15 and the number of new residential property insurance policies  
16 issued by the FAIR Plan during the prior six months equals 1  
17 percent or more of the number of single family residences in that  
18 county.

19 (2) The county has a population of 200,001 to 400,000, inclusive,  
20 residents and the number of new residential property insurance

21 policies issued by the FAIR Plan during the prior six months equals  
22 0.75 percent or more of the number of single family residences in  
23 that county.

24 (3) The county has a population of 400,001 to 800,000, inclusive,  
25 residents and the number of new residential property insurance  
26 policies issued by the FAIR Plan during the prior six months equals  
27 0.35 percent or more of the number of single family residences in  
28 that county.

29 (4) The county has a population of more than 800,000 residents  
30 and the number of new residential property insurance policies  
31 issued by the FAIR Plan during the prior six months equals 0.15  
32 percent or more of the number of single family residences in that  
33 county.

34 (b) For purposes of this section, county population and single  
35 family residence counts shall be determined by the most recently  
36 available estimates published by the Department of Finance.

37 (c) (1) The biannual reports submitted by the California FAIR  
38 Plan Association pursuant to subdivision (a) shall be delivered to  
39 the commissioner on or before January 31 and July 31 of each  
40 year and shall be based on the sum of the new FAIR Plan  
41 residential property insurance policies issued between July 1 and  
42 December 31 of the prior year for the January 31 report and on  
43 the sum of the new FAIR Plan residential insurance policies issued  
44 between January 1 and June 30, inclusive, of that same year for  
45 the July 31 report.

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21 (2) Notwithstanding subdivision (a) and paragraph (1), the  
22 initial report due on or before January 31, 2021, shall include the  
23 information required by subdivision (a) for the calendar years  
24 2019 and 2020, organized in the same six-month time periods  
25 described in paragraph (1), and using the information published  
26 by the Department of Finance for those years.

27 SEC. 3. Section 10109.07 is added to the Insurance Code, to  
28 read:

29 10109.07. (a) A county that is listed on a report submitted to  
30 the commissioner pursuant to Section 10109.05 shall be designated  
31 by the department as an IMAP eligible county. The department's  
32 first designation shall include all the counties listed on the initial  
33 report required pursuant to paragraph (2) of subdivision (c) of  
14 Section 10109.05.

36 (b) An insurer may submit an IMAP filing to the department for  
37 residential property insurance policies issued in an IMAP eligible  
38 county.

39 (c) (1) If a county is originally designated as an IMAP eligible  
40 county at the time an insurer submits and receives approval for  
41 an IMAP filing in that county, but the county is subsequently not  
42 designated as an IMAP eligible county, the insurer may continue  
43 to issue new residential property insurance policies under the

44 *IMAP rate in that county until the insurer files for a new rate in*  
 45 *that county or until two years after the date the county is no longer*  
 46 *designated by the department as an IMAP county, whichever occurs*  
 47 *first.*

48 *(2) Notwithstanding paragraph (1), if a county for which an*  
 49 *insurer has submitted an IMAP filing is no longer designated as*  
 50 *an IMAP eligible county, the insurer may continue to renew*  
 51 *policies with existing insureds in that county at the IMAP rate.*

52 *SEC. 4. Section 10109.2 is added to the Insurance Code, to*  
 53 *read:*

54 *10109.2. (a) An IMAP filing shall set forth community and*  
 55 *parcel-level mitigation standards, along with any necessary*  
 56 *procedures for verifying mitigation activities, including any*  
 57 *required governmental or third-party certifications.*

58 *(b) The commissioner may periodically connect IMAP eligible*  
 59 *county representatives with representatives from IMAP*  
 60 *participating insurers and third-party fire protection or*  
 61 *certification associations to promote collaboration between local*

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41 *governments and industry on local policies for IMAP filings made*  
 42 *pursuant to this article.*

43 *SEC. 5. Section 10109.4 is added to the Insurance Code, to*  
 44 *read:*

45 *10109.4. A rate requested as part of an IMAP filing may be*  
 46 *based on a complex catastrophe model, as follows:*

47 *(a) The complex catastrophe model shall be based on the best*  
 48 *available scientific information for assessing the risk of*  
 49 *catastrophic wildfire frequency, severity, and loss.*

50 *(b) The projected losses derived from the catastrophe model*  
 51 *shall meet all applicable statutory standards.*

52 *(c) The complex catastrophe model shall consider both*  
 53 *parcel-level mitigation and regional mitigation.*

54 *SEC. 6. Section 10109.8 is added to the Insurance Code, to*  
 55 *read:*

56 *10109.8. On or before January 1, 2023, the Office of Planning*  
 57 *and Research shall issue a report outlining the effectiveness of the*  
 58 *IMAP program that includes, but is not limited to, all of the*  
 59 *following:*

60 *(a) An analysis of whether the IMAP program achieved average*  
 61 *admitted market rates lower than the California FAIR Plan plus*  
 62 *difference in condition policies.*

63 *(b) An analysis of the overall progress of the IMAP program*  
 64 *towards achieving market penetration goals in IMAP counties and*  
 65 *the impact on FAIR Plan enrollments. This data shall be reported*  
 66 *in aggregate.*

67 *(c) Recommendations for continued improvements to the IMAP*  
 68 *program.*



69 SEC. 7. Article 2 (commencing with Section 10109.10) is added  
70 to Chapter 12 of Part 1 of Division 2 of the Insurance Code, to  
71 read:

32  
33 Article 2. Catastrophic Loss Modeling

34  
9 10109.10 (a) It is the intent of the Legislature to establish in  
10 state government a commission that shall consist of the following  
11 members, or their designees:

- 12 (1) The Insurance Commissioner.
- 13 (2) The State Fire Marshall.

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41 (3) The Executive Director of the California Building Standards  
42 Commission.

43 (4) The Director of Emergency Services.

44 (b) The commission shall annually elect from its membership,  
45 a chairperson and a vice chairperson.

46 10109.11. It is the intent of the Legislature that the commission  
47 established pursuant to Section 10109.10 be created for the  
48 following purposes:

49 (a) To convene stakeholders from fire protection districts, the  
50 insurance industry, the building trades industry, planning  
51 associations, cities, and counties to develop regionally specific  
52 community hardening standards that have the propensity for  
53 reducing loss due to wildfires.

54 (b) To develop fire prevention standards for individual home  
55 hardening activities specific to wildfire risks that differentiate  
56 between, at a minimum, ember flow resistance and radiant heat  
57 resistance.

58 (c) To establish a central database on housing infrastructure  
59 data specific to wildfire risk for use by a public catastrophic loss  
60 model.

61 (d) Develop a standard for the uniform collection and secure  
62 storage of housing infrastructure data relevant to insurable risks  
63 and necessary to run a sophisticated loss model.

64 10109.12. (a) The Catastrophic Modeling Advisory Committee  
65 is hereby created, to be chaired jointly by the Insurance  
66 Commissioner and the Director of Emergency Services, or their  
67 designees. If the commission described in Section 10109.10 is  
68 created, the advisory committee shall be under the direction of the  
69 commission.

70 (b) In addition to the Insurance Commissioner and the Director  
71 of Emergency Services, the advisory committee shall consist of the  
72 following members:

73 (1) Four members appointed by the Governor, as follows:

74 (A) An actuary from the insurance industry.

75 (B) A representative from an insurance research organization  
76 with expertise in wildfire risk modeling.

- 77 (C) Two full-time faculty members from a California public  
78 university with expertise in the following fields:  
79 (i) Statistics.  
80 (ii) Computer system design.

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- 31 (2) Two full-time faculty members from the University of  
32 California, to be appointed by the Senate Committee on Rules from  
33 a list provided by the Regents of the University of California, with  
34 expertise in the following fields:  
35 (A) Wildfire modeling.  
36 (B) Regional modeling.  
37 (3) Two full-time faculty members from the University of  
38 California, to be appointed by the Speaker of the Assembly from  
39 a list provided by the Regents of the University of California, with  
40 expertise in the following fields:  
41 (A) Fire weather studies.  
42 (B) Wind modeling.  
43 (c) (1) The initial appointments for the members described in  
44 paragraphs (1) to (3), inclusive, of subdivision (b) shall be made  
45 on or before July 1, 2021.  
46 (2) The terms for the members appointed pursuant to paragraph  
47 (1) of subdivision (b) shall be for a period of three years.  
48 (3) The terms for the members appointed pursuant to paragraphs  
49 (2) and (3) of subdivision (b) shall terminate on the date the report  
50 is issued pursuant to Section 10109.14.  
51 10109.13. The advisory committee shall meet at least quarterly  
52 and shall do all of the following:  
53 (a) Gather existing sources of publicly available housing  
54 infrastructure data relevant to wildfire loss projection and deposit  
55 data in a central database.  
56 (b) Compile for study the existing wildfire modeling efforts and  
57 capabilities of the University of California, and other public and  
58 private universities and research organizations.  
59 (c) Develop a comprehensive plan for the establishment of a  
60 public catastrophic wildfire loss model pursuant to Section  
31 10109.14.  
40 10109.14. (a) On or before July 1, 2024, the advisory  
41 committee shall deliver to the Office of Emergency Services, a  
42 comprehensive report detailing a plan for the Office of Emergency  
43 Services to, upon appropriation by the Legislature, establish and  
44 operate a public catastrophic loss model.  
45 (b) The comprehensive report shall do all of the following:  
46 (1) Adopt the best scientifically available actuarial methods,  
47 principles, standards, models, and output ranges that have the

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5 potential for improving the accuracy, precision, or reliability of  
6 wildfire loss projections used by insurers.

7 (2) Review available public housing infrastructure data, and  
8 identify other data necessary to operate a public wildfire loss  
9 model.

10 (3) Recommend a standard for the uniform collection and secure  
11 storage of housing infrastructure data relevant to insurable risks.

12 (4) Develop standards for model inputs, outputs, operation, and  
13 review of wildfire loss models.

14 (5) Recommend additional public research needed in wildfire  
15 loss modeling methodologies to improve loss projection precision  
16 or that are necessary to complete a public catastrophic loss model.

17 (6) Identify the housing infrastructure data needed to create  
18 actuarially sound methodologies for incorporating public and  
19 privately collected data on defensible space and home hardening  
20 methods into a public catastrophic loss model.

21 (7) Discuss potential interfaces for residential property insurers  
22 to access the public model for comparison of assumptions, factors,  
23 and detailed loss results, and for other analytical purposes and  
24 review sufficient to evaluate the modeling used in support of rate  
25 filings.

26 (A) This discussion shall consider strategies for public model  
27 review of third-party models used in rate filings and shall consider  
28 that access to the public model is intended to support the use of  
29 probabilistic loss modeling in IMAP rate filings made pursuant  
30 to Article 1 (commencing with Section 10109).

31 (B) A proposed public model review shall include a process to  
32 determine whether insurer assumptions meet or fail the public  
33 catastrophic wildfire loss model standards. Public model review  
34 is intended to ensure that to the greatest extent possible, an  
35 insurer's findings, data, actuarial methods, principles, standards,  
36 models, or output ranges relied upon to project losses are based  
37 on the best available science.

38 (C) It is the intent of the Legislature to protect from public  
39 disclosure proprietary third-party or in-house modeling data  
40 submitted by an insurer for evaluation by or comparison with the  
41 public model.

42 (8) Consider strategies for using the public model to help  
43 insurers control concentration risk in a wildland urban interface  
44 area. The strategies shall include a monitored evaluation process

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8 for the assumptions used by an insurer given different modeled  
9 predictions for the insurer's expected average annual loss,  
10 probable maximum loss, maximum possible loss, and other metrics.

11 10109.15. The members of the advisory committee shall not

12 *receive compensation, but shall receive per diem pursuant to*  
 13 *Section 11564.5 of the Government Code, and reimbursement for*  
 14 *actual and necessary expenses incurred in the performance of*  
 15 *membership duties.*

16 *SEC. 8. The provisions of this act are not severable. If any*  
 17 *provision of this act or its application is held invalid, all other*  
 18 *provisions of this act shall also be held invalid.*

19 *SEC. 9. This act shall become operative only if Assembly Bill*  
 20 *2167 of the 2019–20 Regular Session is enacted and becomes*  
 21 *effective on or before January 1, 2021.*

22 ~~SECTION 1. (a) The Legislature finds and declares all of the~~  
 23 ~~following:~~

24 ~~(1) California has over \$1 trillion in economic loss risk exposure~~  
 25 ~~from future catastrophic earthquakes, floods, and wildfires.~~

26 ~~(2) Two thirds of the earthquake risk in the United States resides~~  
 27 ~~in California, and California has a long history of damaging and~~  
 28 ~~lethal earthquakes.~~

29 ~~(A) In 1994, the magnitude 6.7 Northridge earthquake killed~~  
 30 ~~60 people, injured 9,000 more people, and displaced 125,000~~  
 31 ~~people. The Northridge earthquake caused \$49 billion in economic~~  
 32 ~~damage and \$25 billion in property damage to over 80,000~~  
 33 ~~buildings. At the time, it was the costliest natural disaster in United~~  
 34 ~~States history, but only \$15.3 billion of the damaged was insured.~~

35 ~~(B) In 1989, the magnitude 6.9 Loma Prieta earthquake killed~~  
 36 ~~63 people, injured more than 3,700 people, displaced 3,000 people,~~  
 37 ~~damaged or destroyed 12,000 homes, and caused more than \$6~~  
 38 ~~billion in property damage.~~

39 ~~(C) In 1971, the magnitude 6.6 Sierra Madre earthquake killed~~  
 40 ~~58 people, damaged 30,000 homes, and brought down parts of the~~  
 41 ~~Interstate 5 and Interstate 210 freeways.~~

42 ~~(D) In 1906, the magnitude 7.9 San Francisco earthquake killed~~  
 43 ~~3,000 people, left 250,000 people homeless, and started a fire that~~  
 44 ~~destroyed 28,000 buildings over 500 city blocks.~~

45 ~~(E) According to the latest Uniform California Earthquake~~  
 46 ~~Rupture Forecast, there is a 99 percent chance that an earthquake~~  
 47 ~~of a magnitude 6.7 or greater will occur in California in the next~~

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41 ~~30 years, as well as a 90 percent chance of a magnitude 7.0 or~~  
 42 ~~greater earthquake and a 46 percent chance of a magnitude 7.5 or~~  
 43 ~~greater earthquake occurring in the same period. According to the~~  
 44 ~~United States Geological Survey, a magnitude 7.0 earthquake on~~  
 45 ~~the Hayward Fault could displace 400,000 people and a similar~~  
 46 ~~earthquake on the San Andreas Fault could displace 250,000~~  
 47 ~~people. A 7.8 magnitude earthquake could cause as much as \$213~~  
 48 ~~billion in economic damages to the state.~~

49 ~~(F) Prior to the 1994 Northridge earthquake, the insurance~~  
 50 ~~industry dramatically underestimated the potential damage from~~  
 51 ~~such moderate earthquakes. After experiencing a record 1,192~~

52 percent loss ratio on earthquake lines due to the Northridge  
53 earthquake, many insurers considered leaving California. The  
54 Legislature created the California Earthquake Authority (CEA) to  
55 offer earthquake insurance in California and stabilize the  
56 homeowners insurance market. Over 1,000,000 Californians now  
57 hold a CEA policy, representing over 80 percent of the California  
58 earthquake insurance market, but only 12 percent of the state's  
59 homeowners. Making CEA policies more affordable and attainable  
60 to all Californians residing in high earthquake risk areas of the  
61 state is critical to the state's earthquake preparedness.

62 (3) Flooding occurs in all parts of California. About 90 percent  
63 of floods are riverine. The state has over 7 million inhabitants and  
64 over \$580 billion in assets situated within 500-year flood plains.  
65 Nearly one-half of the people living in California are concentrated  
66 in the south coast region. Over the life of a 30-year mortgage, the  
67 true risk of living in a 500-year flood plain amounts to a 6 percent  
68 chance of flooding.

69 (A) Approximately 35 percent of agricultural land in the state  
70 is located in flood plains, with \$7 billion in crop value located in  
71 500-year flood plain zones.

72 (B) Continuation or acceleration of sea level rise, in combination  
73 with climate change driven precipitation changes, will likely result  
74 in an increase in flood events, especially in the central valley.

75 (C) In 1997, 48 counties were declared disaster areas due to a  
76 series of Pineapple Express storms overwhelming levees in the  
77 Sacramento and San Joaquin River basins. The major flood event  
78 inundated 300 square miles. Over 23,000 structures were damaged,  
79 nine people were killed, and 120,000 people were evacuated.  
80 Damages amounted to \$2 billion.

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41 (D) In 1995, a major flood event affected nearly every part of  
42 the state. Twenty-eight people were killed and the flood caused  
43 \$1.8 billion in damages.

44 (E) In 1986, a major flood event occurred when a nine-day  
45 rainstorm caused several levee breaks, resulting in the inundation  
46 of four Delta islands. The Sierra Nevada recorded 1,000-year  
47 rainfalls, 50,000 people were evacuated, and 13 people were killed.  
48 The flood caused \$400 million in property damage.

49 (F) In 1955, a statewide disaster was declared when a storm  
50 caused a flood that killed 74 people and caused \$200 million in  
51 economic losses.

52 (G) In 1909, a 12,000-year rain event over the Feather River  
53 basin resulted in La Porte receiving 57.41 inches of rain over 20  
54 days. The flood resulted in an overhaul of planned statewide flood  
55 control designs.

56 (H) In 1862, a storm dumped 10 feet of rainfall in California  
57 over 43 days, causing immense flooding. Known as the "Great  
58 Flood of 1862," the flood washed away bridges and inundated

59 over 5,000 square miles of the Central Valley with up to 30 feet  
60 of water. The Great Flood of 1862 was a 1,000-year flood event.  
61 Models that project the impact of such a storm today, also known  
62 as an ARkStorm, suggest up to 1.5 million people could be  
63 displaced and the state could suffer \$725 billion in economic losses.

64 (I) The federal National Flood Insurance Program is \$25 billion  
65 in debt, and is heavily subsidized. Private market flood insurance  
66 exists, but accurate flood risk data is unavailable. According to a  
67 2017 United States Department of Homeland Security Office of  
68 Inspector General report, only 42 percent of the Federal Emergency  
69 Management Agency's (FEMA's) flood maps adequately identify  
70 the level of flood risk. These out-of-date maps interfere with price  
71 signals for insurance premiums and home prices, and do not  
72 adequately communicate the flood risk to would-be homebuyers  
73 or insurers.

74 (4) Over 2 million homes, or approximately 15 percent of  
75 California's housing stock, is at high or extreme risk from wildfires.  
76 California's total housing risk exposure to wildfire damage is \$249  
77 billion.

78 (A) The top 10 costliest wildfires in United States history have  
79 all occurred in California, and 6 of those occurred in 2017 and  
80 2018. More people died from wildfires in 2017 and 2018 than in

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40 the last 10 years combined. The 2017 and 2018 fires caused a  
41 combined \$24.8 billion in insurance claims, including \$21.6 billion  
42 in residential personal property claims, \$2.5 billion in commercial  
43 property claims, and approximately \$500,000 in auto claims.

44 (B) Igniting November 8, 2018, the Camp Fire burned for 17  
45 days, killed at least 85 people, and destroyed over 18,800  
46 structures. It is not only the most expensive wildfire in United  
47 States history, but was the most expensive natural disaster  
48 worldwide in 2018. Insured losses reached \$12.5 billion, while  
49 total losses were \$16.5 billion.

50 (C) Also igniting November 8, 2018, the Woolsey Fire burned  
51 for 14 days, killed three people, and destroyed over 1,600 buildings.  
52 Insured losses are estimated at \$3 billion to \$5 billion of the \$6  
53 billion in total property losses.

54 (D) Igniting July 23, 2018, the Carr Fire burned for 37 days,  
55 killed eight people, including three firefighters, and destroyed over  
56 1,600 structures. The fire caused over \$1.5 billion in property  
57 damage.

58 (E) Igniting December 4, 2017, the Thomas Fire burned for 39  
59 days, killed 23 people, including one firefighter and 21 people  
60 from a resulting mudslide, and destroyed over 1,000 structures.  
61 The fire caused over \$2.2 billion in damages.

62 (F) Igniting October 8, 2017, the Tubbs Fire burned for 12 days,  
63 killed 22 people, and destroyed over 5,600 structures. Insured  
64 losses are estimated to be between \$7.5 billion and \$9.5 billion.

65 (G) Igniting October 8, 2017, the Atlas Fire burned for 12 days,  
66 destroyed 25,000 acres, and destroyed over 700 buildings. Insured  
67 losses are estimated to be between \$2.5 billion and \$4.5 billion.

68 (H) Burning for over three months in 2018, a less costly seventh  
69 fire, the Mendocino Complex Fire, became the largest recorded  
70 fire in state history when it consumed over 459,000 acres, more  
71 than the previous largest fire, the Thomas Fire, in 2017.

72 (I) According to a Department of Insurance 2018 report on the  
73 availability and affordability of wildfire coverage, major insurers  
74 are pulling back from writing new policies or renewing policies  
75 in the wildland-urban interface (WUI) fire areas. Additionally,  
76 premiums are increasing in the WUI, and most insurers do not take  
77 into consideration wildfire mitigation conducted by the homeowner  
78 or the community. This is in part because no single insurer has  
79 loss experience in the WUI to validate the rates and premiums

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21 charged for each wild fire risk model score. The department's  
22 report further states that a credible database for wildfire loss  
23 experience in the WUI is needed in order for insurers to use rating  
24 plans that impact rates in the WUI and suggests that the Legislature  
25 should create a framework within which insurers offer a mitigation  
26 premium credit for property owners that conduct proper mitigation.

27 (5) Incentivizing homeowners to actively participate in  
28 mitigation measures is critical to statewide preparedness. Research  
29 shows that homeowners' risk reduction behaviors are influenced  
30 by the perceived effectiveness of the activities and their perceived  
31 ability to complete them. Public outreach, information sharing,  
32 and a communitywide collaborative process on wildfire protection  
33 planning have been found to build trust among residents and local  
34 fire agencies.

35 (6) The National Institute of Building Sciences studied 23 years  
36 of federally funded mitigation grants provided by FEMA, the  
37 United States Economic Development Administration, and the  
38 United States Department of Housing and Urban Development,  
39 and found that hazard mitigation funding saves \$6 in future disaster  
40 costs for every \$1 invested. Further, the study found that designing  
41 buildings to meet the 2018 International Residential Code and  
42 2018 International Building Code would provide a national benefit  
43 of \$11 for every \$1 of investment when compared to 1990-era  
44 building codes and National Flood Insurance Program  
45 requirements.

46 (b) It is, therefore, the intent of the Legislature to do all of the  
47 following:

48 (1) Establish an ongoing catastrophic risk mitigation fund to  
49 prepare California's local governments, homeowners, and small  
50 businesses for our top natural disaster risks: earthquakes, wildfires,  
51 and floods.

52 (2) Increase investment in the Department of Forestry and Fire

53 Protection’s (CAL FIRE’s) local assistance grant program for fire  
 54 protection, so that local governments may invest in equipment,  
 55 build fire lines, and launch community preparedness efforts.  
 56 (3) Increase investment in the California Earthquake Authority’s  
 57 Earthquake Brace and Bolt program, as well as design additional  
 58 retrofit programs, so that homeowners may affordably retrofit their  
 59 homes and prepare for the next earthquake.

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1 (4) Increase investment in the Department of Water Resources  
 2 flood control grant programs, so that local governments have the  
 3 resources to save their residents’ homes from floods.

4 (5) Increase investment in homeowners and small businesses  
 5 that perform mitigation on their property, by offering grants and  
 6 rebates for specific mitigation efforts, so that others may be  
 7 incentivized to follow their lead.

8 (6) Study the effectiveness of mitigation measures for the benefit  
 9 of homeowners and insurers by giving insurers a data-driven tool  
 10 for the development of insurance premium credits and discounts  
 11 for specific mitigation measures.

12 SEC. 2. Division 6 (commencing with Section 17000) is added  
 13 to the Insurance Code, to read:

14  
 15 DIVISION 6. DISASTER MITIGATION 16

17 Chapter 1. Definitions 18

19 17000. For purposes of this division, “board” means the  
 20 Prepared California Disaster Mitigation Board.

21  
 22 Chapter 2. Prepared California Disaster Mitigation  
 23 Fund

24  
 25 17001. There is hereby created the Prepared California Disaster  
 26 Mitigation Fund within the State Treasury. Notwithstanding Section  
 27 13340 of the Government Code, moneys in the fund are  
 28 continuously appropriated without regard to fiscal year to the board  
 29 for the purposes specified in this division.

30 17002. (a) An annual assessment is hereby imposed on the  
 31 following insurance policies:

32 (1) A twelve-dollar (\$12) annual assessment on all residential  
 33 property insurance policies, including homeowner’s insurance,  
 34 fire insurance, earthquake insurance, and policies covering  
 35 condominiums and mobilehomes.

36 (2) A six-dollar (\$6) per vehicle annual assessment on all private  
 37 passenger and commercial automobile insurance policies.

38 (3) An annual assessment of 1 percent of the annual premium  
 39 on all commercial insurance policies covering physical property  
 40 damage or business interruption.

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1 ~~(b) The assessments shall be collected from policyholders by~~  
2 ~~insurers and remitted to the Department of Insurance for deposit~~  
3 ~~into the Prepared California Disaster Mitigation Fund.~~

4 ~~(e) (1) Assessments collected pursuant to this section are not~~  
5 ~~part of an insurer's rates or rating plan, are not premiums for any~~  
6 ~~purpose, and are not subject to premium taxes, fees, or~~  
7 ~~commissions.~~

8 ~~(2) The amount of the assessment shall be separately stated on~~  
9 ~~either a billing or policy declaration sent to an insured.~~

10  
11 ~~Chapter 3. Prepared Disaster Mitigation Program~~

12  
13 ~~17010. There is hereby created the Prepared California Disaster~~  
14 ~~Mitigation Board in state government.~~

15 ~~17011. (a) The board shall be comprised of the following~~  
16 ~~members:~~

17 ~~(1) The Insurance Commissioner or their designee.~~

18 ~~(2) The Director of Emergency Services or their designee.~~

19 ~~(3) The Director of Forestry and Fire Protection or their~~  
20 ~~designee.~~

21 ~~(4) The Director of Water Resources or their designee.~~

22 ~~(5) The Senate Committee on Rules shall appoint two members~~  
23 ~~to serve three-year terms as follows:~~

24 ~~(A) One member of the public with experience in the insurance~~  
25 ~~industry.~~

26 ~~(B) One member of the public with experience in the risk~~  
27 ~~analytics industry.~~

28 ~~(6) The Speaker of the Assembly shall appoint two members~~  
29 ~~to serve three-year terms as follows:~~

30 ~~(A) One member of the public with experience in the insurance~~  
31 ~~industry.~~

32 ~~(B) One member of the public with experience in fire science.~~

33 ~~(7) The Governor shall appoint four members to serve at the~~  
34 ~~pleasure of the Governor as follows:~~

35 ~~(A) One member of the public with experience in the insurance~~  
36 ~~industry.~~

37 ~~(B) One member of the public to represent insurance consumers.~~

38 ~~(C) One member of the public with expertise in earthquake~~  
39 ~~engineering.~~

40 ~~(D) One member of the public.~~

1 (b) The Governor shall appoint the chair of the board.

2 ~~(e) The members of the board shall serve without compensation;~~  
 3 ~~but each of the public members shall be reimbursed for the~~  
 4 ~~member's actual and necessary expenses incurred in the~~  
 5 ~~performance of that member's duties.~~

6 ~~17012. (a) There is hereby established the Prepared California~~  
 7 ~~Disaster Mitigation Program to be administered by the board to~~  
 8 ~~award grants to homeowners for fire-related disaster mitigation~~  
 9 ~~activities.~~

10 ~~(b) The board shall develop, advertise, and offer to homeowners,~~  
 11 ~~mitigation grants and rebates designed to decrease risk of loss from~~  
 12 ~~wildfire or earthquake-caused fire, including any of the following:~~

13 ~~(1) Grants for installation or replacement of the following:~~

14 ~~(A) Fire-resistant roofing.~~

15 ~~(B) Fire-resistant siding.~~

16 ~~(C) Fire-resistant eaves or soffits.~~

17 ~~(D) Fire-resistant windows.~~

18 ~~(E) Exterior roof-mounted fire sprinklers.~~

19 ~~(2) Grants for the replacement of exterior deck wood with~~  
 20 ~~fire-retardant treated wood or other fire safe materials.~~

21 ~~(3) Grants for the removal of hazardous trees within 30 feet of~~  
 22 ~~a home.~~

23 ~~(4) Rebates for the installation or replacement of the following:~~

24 ~~(A) Earthquake shutoff valves.~~

25 ~~(B) Exterior vent screens.~~

26 ~~(C) Weatherstripping or fire seal strips.~~

27 ~~(D) Trimming of hazardous trees within 100 feet of a home.~~

28 ~~(E) Rain gutter guards or rain gutters designed to prevent~~  
 29 ~~accumulation of debris.~~

30 ~~(5) Rebates for additional low-cost retrofits, as identified by the~~  
 31 ~~State Fire Marshal pursuant to subdivision (c) of Section 51189~~  
 32 ~~of the Government Code, that provide comprehensive site and~~  
 33 ~~structure fire risk reduction.~~

34 ~~(e) The board shall determine the amount of each grant or rebate~~  
 35 ~~to be offered as follows:~~

36 ~~(1) An amount up to 100 percent of the cost for mitigation~~  
 37 ~~projects estimated to cost one thousand dollars (\$1,000) or less.~~

38 ~~(2) An amount up to 50 percent of the cost of mitigation projects~~  
 39 ~~estimated to cost more than one thousand dollars (\$1,000), provided~~

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1 that no grant or rebate may be awarded for more than five  
 thousand 2 dollars (\$5,000).

3 ~~(d) The board shall collect data from grant and rebate recipients~~  
 4 ~~on the types and locations of mitigation efforts undertaken in order~~  
 5 ~~to confirm completion of the mitigation projects, and may collect~~  
 6 ~~data relating to any other factors necessary to allow the board to~~  
 7 ~~conduct a longitudinal study of the effectiveness of the mitigation~~  
 8 ~~measures to prevent damage during catastrophes.~~

9 ~~(e) The board may develop and offer additional grants or rebates~~

10 pursuant to subdivision (c) that are designed to decrease risk of  
11 loss from wildfire or earthquake-related fire.

12  
13 ~~Chapter 4. Disaster Mitigation Funding~~

14  
15 ~~17020. The board shall annually distribute money from the~~  
16 ~~Prepared California Disaster Mitigation Fund to the state agencies~~  
17 ~~listed in this section, as it deems appropriate, based on the disaster~~  
18 ~~mitigation needs of the state. At a minimum, the board shall~~  
19 ~~annually distribute the following sums of money:~~

20 ~~(a) At least 20 percent to the Department of Forestry and Fire~~  
21 ~~Protection for purposes of the local assistance grant program for~~  
22 ~~fire protection activities pursuant to Section 4124.5 of the Public~~  
23 ~~Resources Code, provided that only local agencies shall be eligible~~  
24 ~~for grants made with these funds.~~

25 ~~(b) At least 20 percent to the California Earthquake Authority~~  
26 ~~for purposes of awarding grants pursuant to the Earthquake Brace~~  
27 ~~and Bolt program.~~

28 ~~(c) At least 20 percent to the Department of Water Resources~~  
29 ~~for purposes of the Delta Levees Special Flood Control Projects~~  
30 ~~Program, the Small Communities Flood Risk Reduction Program,~~  
31 ~~the Flood Emergency Response Projects Grant Program, and the~~  
32 ~~Local Levee Assistance Program.~~

33 ~~(d) At least 20 percent to the board to be awarded pursuant to~~  
34 ~~the Prepared California Disaster Mitigation Program for purposes~~  
35 ~~of grants to homeowners for fire-related disaster mitigation~~  
36 ~~purposes.~~

37 ~~(e) Up to 5 percent to the board for operating expenses, and to~~  
38 ~~administer the Prepared California Disaster Mitigation Program,~~  
39 ~~including advertising the availability of grants and rebates to~~  
40 ~~homeowners and fulfilling the board's mitigation study obligations.~~

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1 ~~17021. The Department of Forestry and Fire Protection and~~  
2 ~~the board shall do both of the following:~~

3 ~~(a) Prior to the annual distribution of funds pursuant to~~  
4 ~~subdivision (a) of Section 17020, agree on the wildfire mitigation~~  
5 ~~projects to be funded, with an emphasis on protecting vulnerable~~  
6 ~~populations. The Department of Forestry and Fire Protection shall~~  
7 ~~consider socioeconomic characteristics of the communities to be~~  
8 ~~protected, including data on poverty levels, residents with~~  
9 ~~disabilities, language barriers, residents over 65 years of age or~~  
10 ~~under 5 years of age, and households without a car.~~

11 ~~(b) Develop a periodic reporting agreement for the grant funds~~  
12 ~~awarded pursuant to subdivision (a) of Section 17020 that requires~~  
13 ~~the Department of Forestry and Fire Protection to report~~  
14 ~~information sufficient to allow the board to study wildfire~~  
15 ~~mitigation effectiveness, including all of the following:~~

16 ~~(1) Information on the types and locations of wildfire mitigation~~

17 projects.

18 ~~(2) Information on the damage caused by wildfires in areas~~  
19 ~~where mitigation efforts have occurred.~~

20 ~~(3) Other information the board finds necessary to study wildfire~~  
21 ~~mitigation effectiveness.~~

22 ~~17022. The California Earthquake Authority and the board~~  
23 ~~shall do all of the following:~~

24 ~~(a) Prior to the annual distribution of funds pursuant to~~  
25 ~~subdivision (b) of Section 17020, agree on the earthquake~~  
26 ~~mitigation projects to be funded, with an emphasis on protecting~~  
27 ~~vulnerable populations. The authority shall consider socioeconomic~~  
28 ~~characteristics of the communities to be protected, including data~~  
29 ~~on poverty levels, residents with disabilities, language barriers,~~  
30 ~~residents over 65 years of age or under 5 years of age, and~~  
31 ~~households without a car.~~

32 ~~(b) Develop a periodic reporting agreement for the grant funds~~  
33 ~~awarded pursuant to subdivision (b) of Section 17020 that requires~~  
34 ~~the authority to report information sufficient to allow the board to~~  
35 ~~study earthquake mitigation effectiveness, including all of the~~  
36 ~~following:~~

37 ~~(1) Information on the types and locations of earthquake~~  
38 ~~mitigation projects.~~

39 ~~(2) Information on the damage caused by earthquakes in areas~~  
40 ~~where mitigation efforts have occurred.~~

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1 ~~(3) Other information the board finds necessary to study~~  
2 ~~earthquake mitigation effectiveness.~~

3 ~~(e) Develop and propose to the Legislature additional~~  
4 ~~cost-effective earthquake retrofit grant or low-cost loan programs~~  
5 ~~for homeowners requiring seismic retrofit but who do not qualify~~  
6 ~~for the Earthquake Brace and Bolt program, including owners of~~  
7 ~~mobilehomes and condominiums, and for small businesses, as~~  
8 ~~defined in subparagraph (A) of paragraph (1) of subdivision (d)~~  
9 ~~of Section 14837 of the Government Code, that own real property.~~

10 ~~17023. The Department of Water Resources and the board shall~~  
11 ~~do both of the following:~~

12 ~~(a) Prior to the annual distribution of funds pursuant to~~  
13 ~~subdivision (c) of Section 17020, agree on the flood mitigation~~  
14 ~~projects to be funded, with an emphasis on protecting vulnerable~~  
15 ~~populations. The Department of Water Resources shall consider~~  
16 ~~socioeconomic characteristics of the communities to be protected,~~  
17 ~~including data on poverty levels, residents with disabilities,~~  
18 ~~language barriers, residents over 65 years of age or under 5 years~~  
19 ~~of age, and households without a car.~~

20 ~~(b) Develop a periodic reporting agreement for the grant funds~~  
21 ~~awarded pursuant to subdivision (c) of Section 17020 that requires~~  
22 ~~the Department of Water Resources to report information sufficient~~  
23 ~~to allow the board to study flood mitigation effectiveness, including~~

24 all of the following:

25 (1) Information on the types and locations of flood mitigation  
26 projects.

27 (2) Information on the damage caused by flooding in areas  
28 where mitigation efforts have occurred.

29 (3) Other information the board finds necessary to study flood  
30 mitigation  
effectiveness. 31

32 Chapter 5. Reporting 33

34 17030. The Department of Insurance shall collect data regarding  
35 the availability of insurance in high-risk fire areas and report that  
36 data to the board on a periodic basis.

37 17031. The board shall prepare a report to be submitted to the  
38 Legislature on or before January 1, 2021, and annually thereafter,  
39 that includes at least all of the following:

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1 (a) A summary of the amounts of the grants and rebates awarded  
2 pursuant to the Prepared California Disaster Mitigation Program  
3 and a summary of the mitigation measures implemented with those  
4 grants and rebates. The summary shall also include a discussion  
5 of any new grants or rebates under development.

6 (b) A summary of the mitigation measures funded pursuant to  
7 Section 17020, and an analysis of the effectiveness of those  
8 mitigation measures in preventing losses from wildfires,  
9 earthquakes, and floods, if applicable, given the types and locations  
10 of natural disasters.

11 (c) A summary of known existing mitigation discounts offered  
12 by residential property insurers.

13 (d) Recommendations for additional earthquake retrofit grant  
14 program proposals pursuant to subdivision (c) of Section 17022  
15 to augment the Earthquake Brace and Bolt program.

16 17032. On or after January 1, 2022, the board shall contract  
17 with the California State Auditor's Office to conduct an audit of  
18 the Prepared California Disaster Mitigation Board's operations  
19 from inception to December 31, 2021, inclusive. The audit shall  
20 provide an independent assessment of the performance and  
21 management of the board and of the Prepared California Disaster  
22 Mitigation Program. The board shall fund the audit out of its  
23 operating expense budget pursuant to subdivision (e) of Section  
24 17020. A copy of the audit shall be submitted to the board and to  
25 the Legislature, on or before January 1, 2023.

26 17033. (a) The Department of Insurance and the board shall  
27 develop an information sharing agreement to allow the board to  
28 collect data on losses caused by fire, earthquake, and flood in order  
29 to study mitigation efforts and insurer loss experience.

30 (b) The board shall continuously study the data compiled under  
31 this section and the data compiled by the Department of Forestry  
32 and Fire Protection pursuant to Section 17021, the data compiled

33 by the California Earthquake Authority pursuant to Section 17022,  
34 the data compiled by the Department of Water Resources pursuant  
35 to Section 17023, and the data compiled by the board pursuant to  
36 subdivision (d) of Section 17012, including the longitudinal  
37 analyses of the effectiveness of mitigation measures to prevent  
38 loss.

39 (e) The board shall prepare and submit a report to the Legislature  
40 on or before January 1, 2024, that contains recommendations for

1 ~~model homeowners insurance discounts based on the risk~~  
2 ~~mitigation measures that the board has determined reduce loss~~  
3 ~~based on its studies conducted pursuant to this division.~~

4 (d) ~~The board shall publish or maintain the data supporting the~~  
5 ~~recommendations made pursuant to subdivision (c) in such a way~~  
6 ~~as to be easily accessible to insurers for the purpose of ratemaking~~  
7 ~~and mitigation discount development. All data made available~~  
8 ~~shall comply with the privacy requirements of the Insurance~~  
9 ~~Information and Privacy Protection Act (Article 6.6 (commencing~~  
10 ~~with Section 791) of Chapter 1 of Part 2 of Division 1).~~

11 ~~17034. The board may contract with private firms and public~~  
12 ~~universities, as necessary, to study mitigation efforts and complete~~  
13 ~~the data analysis required by this division.~~

14 ~~17035. All reports required to be submitted to the Legislature~~  
15 ~~pursuant to this division shall be submitted in compliance with~~  
16 ~~Section 9795 of the Government Code.~~

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