

COUNTY OF EL DORADO
Board of Supervisors

330 Fair Lane
Placerville, CA 95667
(530) 621-6513
(530) 622-3645 Fax



LORI PARLIN
SUPERVISOR, DISTRICT IV

September 16, 2024

Sara Ahn, Staff Counsel
California Department of Insurance
Office of the Special Counsel
300 Capitol Mall, 16th Floor
Sacramento, CA 95814
Via email: CDIRegulations@insurance.ca.gov

Re: California Department of Insurance (CDI) rulemaking on Catastrophic Modeling and Ratemaking

Dear Ms. Ahn,

As El Dorado County Board of Supervisor's representative to the Rural County Representative of California (RCRC), I strongly support RCRC's comments provided in regard to the California Department of Insurance rulemaking on Catastrophic Modeling and Ratemaking.

Our residents reach out to us often with pleas to take action as the skyrocketing costs and unavailability of insurance is wreaking havoc on their ability to keep a roof over their head. As such, our board members have been deeply and seriously engaged in this issue for the past five years on a multitude of levels, some of which are enumerated below, which informs our support of RCRC's letter.

Continued increases in size and severity of wildfires in recent years, along with the lengthening of the traditional Wildfire Season have impacted most California counties. However, a significant portion of our county is comprised of federal forest lands, which places El Dorado County residents in a unique position of risk among its counterparts. It has also spurred the Board of Supervisors to create policy to create a safer and more resilient citizenry, which we believe should be reflected in more favorable insurance rates and coverage policy on the state level.

Following the devastating Caldor Fire in 2021, the Board of Supervisors established the Office of Wildfire Preparedness and Resilience (OWPR) in 2022 with the mission of creating a fire adapted and resilient El Dorado County through meaningful collaboration and coordination. Guided by the County of El Dorado Wildfire Strategy, adopted in 2023, OWPR acts as a liaison to ensure coordination of local fire planning efforts, wildfire mitigation projects, and information exchange across County departments, local fire districts, CAL FIRE, the El Dorado County Fire Safe Council, Sheriff's Office of Emergency Services, Chief Administrative Office, Board of Supervisors, and other stakeholders and members of the public. Since its establishment, OWPR has made significant progress on key resiliency elements contained within the Wildfire Strategy, including:

- Implementation of a comprehensive update to the County’s Defensible Space Ordinance, which exceeds the state minimum requirements under Public Resources Code 4291.
- Development of the Defensible Space Program to conduct coordinated defensible space inspections and homeowner education in partnership with CAL FIRE and local fire districts.
- Implementation of a State \$25 Million Hazard Mitigation Grant Program pilot project aimed to reduce the risks of wildfire through defensible space and home hardening retrofit measures for approximately 525 homes.
- Leading a comprehensive update to the current Western El Dorado Community Wildfire Protection Plan, estimated to be completed mid-2025, which evaluates fire risks and hazards throughout the West Slope of El Dorado County and develops recommended mitigation measures and strategies to reduce those risks. This collaborative effort relies on engagement from Fire Safe Councils, CAL FIRE, local fire districts, Firewise Communities, public utilities, governmental agencies, and other partner organizations and stakeholders.
- Placement on the Board of Forestry and Fire Protection’s 2024 Fire Risk Reduction Community List on July 1, 2024, which recognizes local agencies that meet best fire planning practices and highlights our County’s alignment of plans focused on wildfire prevention, including the General Plan Safety Element, Multi-Jurisdiction Hazard Mitigation Plan, fire safe standards for development, and adoption of wildfire-specific codes and ordinances that exceed state minimum requirements.

In 2019, the Board of Supervisors submitted a letter to Commissioner Lara acknowledging the greater risk of wildfire in our County and noting even at that time the trend of insurance non-renewal and out-pricing problems for our citizens by sharing results of a County-wide poll showing 40 percent had their policies canceled, not renewed or their premium increased by up to 100 percent in the previous two years.

Additionally, In October 2022, when I was Chair of the Board of Supervisors, I submitted a letter to the Commissioner detailing the impact of both the Caldor fire and the subsequent Mosquito fire and expressing our Board's collective and individual continued strenuous advocacy on this issue.

We remain steadfast on that path and offer any assistance as an active partner with you on the Sustainable Insurance Strategy and the Catastrophic Modeling and Ratemaking effort.

Sincerely,



Lori Parlin, El Dorado County District IV Supervisor

Attachment: RCRC 2024-09-03 letter: Catastrophe Modeling and Ratemaking—Proposed Rulemaking



RURAL COUNTY REPRESENTATIVES
OF CALIFORNIA

September 3, 2024

Sara Ahn, Staff Counsel
California Department of Insurance
Office of the Special Counsel
300 Capitol Mall, 16th Floor
Sacramento, CA 95814

RE: Catastrophe Modeling and Ratemaking—Proposed Rulemaking

Dear Ms. Ahn,

On behalf of the Rural County Representatives of California (RCRC), we offer the following comments on the California Department of Insurance (CDI) proposed rulemaking on Catastrophe Modeling and Ratemaking. We appreciate the work of the Commissioner and CDI to undertake the task of increasing affordability and availability of property insurance in California. RCRC is an association of forty rural California counties and the RCRC Board of Directors is comprised of elected supervisors from each of those member counties.

RCRC member counties are the home to the residents and businesses statewide that have been most profoundly impacted by the inability to afford or sustain property insurance in the past decade. Our members are also experiencing non-renewals among their publicly-owned buildings, including facilities that play important roles in serving public needs which must remain open to provide basic residential services. The trajectory of California's insurance market, which is now impacting property owners regardless of fire risk, is neither affordable nor sustainable for the state's residents.

While many residents in high wildfire risk areas understand that higher costs for coverage will be the new standard under higher wildfire threats, many of them have had to resort to the FAIR Plan for fire insurance coverage and have been effectively priced out of California's whole-property coverage market. Our members have many examples from residents that have had their property insurance non-renewed or rates raised to unsustainable premiums regardless of the wildfire risk ratings on their parcels or in their communities. A lack of transparency in the rate and non-renewal process has been a

1215 K Street, Suite 1650, Sacramento, CA 95814 | www.rcrcnet.org | 916.447.4806 | Fax: 916.448.3154

source of frustration across our communities over the past several years. While we appreciate the amendments made to the final draft proposal of the regulations, we continue to have some concerns about the final proposal.

1) ZIP codes identified as “undermarketed” do not anecdotally reflect non-renewals in high fire risk areas across California.

While we appreciate the effort to identify counties that are most impacted by insurance non-renewals, our members have identified ZIP codes within distressed counties that their residents insist are experiencing high rates of non-renewals. For example, while Lassen County is identified as a distressed county, Susanville is not identified as an undermarketed residential ZIP code, but is on the list of commercial ZIP codes. The city’s exclusion on the residential list feels counterintuitive based on median household income and anecdotal evidence of policy non-renewals over the last several years. It would be helpful to have the underlying data used to establish undermarketed ZIP codes readily available on the CDI website so that commercial and residential policyholders can better understand why their ZIP codes might be excluded, or might be included on one list and not the other.

2) Modeling and ratemaking processes must remain transparent to keep property owners informed.

RCRC has no formal policy on the use of catastrophe models; however, we remain steadfast that any model or ancillary information used in determining rates must be available to the public so that property owners are aware of what metrics are being used to rate their parcels. Currently, insurers are using drones and other methods of evaluating property to set rates and, in some cases, non-renew policies for commercial and large residential parcels. Even so, property owners often feel like they are pursuing a moving target when it comes to home retrofits and defensible space measures to reduce their fire risk, as non-renewals keep happening in communities that have been hardened to the highest standards. Whether individual, proprietary models are allowed, or the state adopts a statewide catastrophe model, transparency throughout the ratemaking process is crucial to achieving more affordable policies and ultimately depopulating the FAIR Plan.

3) Community-wide and parcel-level wildfire mitigations must also be considered during the ratemaking process.

In addition to catastrophe modeling, RCRC strongly recommends requiring insurers to consider community-wide and parcel-level wildfire mitigations during their ratemaking and underwriting processes. While not necessarily part of this rulemaking, risk modeling and wildfire mitigations are inextricably linked. Local governments and nonprofits statewide are spending billions of dollars to help residents mitigate wildfire risk

Sara Ahn
Catastrophe Modeling and Ratemaking Rulemaking
September 3, 2024
Page 3

at the community and parcel level and to meet the highest mitigation standards, and these mitigations have to matter.

Still, many property owners are being non-renewed and told that they simply live in the wrong ZIP code even though they have improved their parcel's fire rating to the highest standards. Most are given no recourse or path to retain their policies, regardless of their risk status. If property owners are to be rated according to a forward-looking model, then the mitigations they and their neighbors have implemented to prevent wildfires from destroying their properties must also be accounted for in the underwriting and ratemaking process. Senator Josh Becker attempted to encourage, not require, insurers to look at mitigations in their underwriting earlier this year via Senate Bill 1060. The bill stalled due to opposition by the insurance industry, but we would strongly recommend CDI consider incorporating language from SB 1060 into future rulemaking proposals.

RCRC appreciates your consideration of our comments and looks forward to continuing working with CDI on the Sustainable Insurance Strategy. Please do not hesitate to contact me at sheaton@rcrcnet.org with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Staci Heaton", with a stylized flourish at the end.

Staci Heaton
Senior Policy Advocate

cc: The Honorable Ricardo Lara, California Insurance Commissioner