



Office of the Mayor

CONSENT CALENDAR
May 14, 2024

To: Honorable Members of the City Council

From: Mayor Jesse Arreguín, Councilmember Sophie Hahn, and Councilmember Susan Wengraf

Subject: Support SB 1060

RECOMMENDATION

Adopt a Resolution in support of SB 1060 (Becker), which requires insurance companies to consider wildfire risk management in insurance underwriting. Send a copy of the Resolution to Governor Gavin Newsom, State Senators Josh Becker and Nancy Skinner, and Assemblymember Buffy Wicks.

BACKGROUND

The threat of wildfires is increasing in California, with eight of the ten largest wildfires and six of the ten most destructive wildfires in the State's history happening since 2017. In recent years, the cost of insurance has skyrocketed and has become more difficult to acquire, making homeownership even more difficult.

Both the State of California and the City of Berkeley have made major investments in wildfire prevention and fuel reduction in recent years. In Berkeley, the passage of Measure FF in 2020 raises \$8.5 million annually for improved fire services, emergency communication, hazard mitigation, and wildfire prevention. This has led to the creation of a new Wildland Urban Interface Division, which is dedicated to improving the community's understanding of, and resistance to wildfire. Additionally, the Fire Department is now able to cover 8,500 properties in the Very High Fire Hazard Severity Zone (which covers most of the Berkeley Hills) with an annual inspection that includes a corrections checklist. The City has also partnered with CAL FIRE and regional partners in several vegetation management and wildfire prevention projects along the East Bay Hills.

All these recent investments have helped reduced the threat of wildfires and improve emergency responses in the event of a wildfire. While such threats can never be fully eliminated, insurance companies have not fully factored in recent improvements in developing insurance policies. Recognizing the risk reduction benefits of these activities, in 2022, California's Insurance Commissioner issued a regulation that requires insurance companies to provide discounts to customers who implement wildfire safety measures including home hardening and defensible space. SB 1060 requires insurance companies to factor these activities into their underwriting models, essentially weaving into the fabric of the insurance market the benefits of fire risk reduction. The bill

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also authorizes the department to audit underwriting to confirm adherence to the risk model requirements and to issue any necessary orders to ensure compliance.

FINANCIAL IMPLICATIONS

None

ENVIRONMENTAL SUSTAINABILITY

There are no environmental impacts associated with the recommendations in this report.

CONTACT PERSON

Mayor Jesse Arreguín 510-981-7100

Attachments:

1: Resolution

2: Text of SB 1060

RESOLUTION NO. ##,###-N.S.

IN SUPPORT OF SB 1060 – WILDFIRE PREVENTION INSURANCE UNDERWRITING

WHEREAS, California has experienced major wildfires in recent years, including eight of the ten largest wildfires since 2017, which has contributed to an increase in insurance premiums and have made it more difficult for homeowners to acquire insurance; and

WHEREAS, both the State of California and the City of Berkeley have made major investments in wildfire prevention and fuel reduction in recent years; and

WHEREAS, in Berkeley, the passage of Measure FF in 2020 raises \$8.5 million annually for improved fire services, emergency communication, hazard mitigation, and wildfire prevention, which has resulted in the creation of new programs and increased capacity to reduce the threats of wildfires and improve emergency response to such events; and

WHEREAS, recognizing the risk reduction benefits of these activities, in 2022, California's Insurance Commissioner issued a regulation that requires insurance companies to provide discounts to customers who implement wildfire safety measures including home hardening and defensible space; and

WHEREAS, SB 1060 (Becker) requires insurance companies to factor these activities into their underwriting models, essentially weaving into the fabric of the insurance market the benefits of fire risk reduction, and will also authorize the department to audit underwriting to confirm adherence to the risk model requirements and to issue any necessary orders to ensure compliance.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it hereby supports SB 1060.

BE IT FURTHER RESOLVED that copies of this Resolution be sent to Governor Gavin Newsom, State Senators Josh Becker Nancy Skinner, and Assemblymember Buffy Wicks.

AMENDED IN SENATE APRIL 17, 2024

AMENDED IN SENATE APRIL 4, 2024

AMENDED IN SENATE MARCH 12, 2024

SENATE BILL

No. 1060

**Introduced by Senator Becker
(Principal coauthor: Senator Dodd)**

February 8, 2024

An act to add Article 5 (commencing with Section 3000) to Chapter 2 of Part 1 of Division 2 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1060, as amended, Becker. Property insurance underwriting: risk models.

Existing law creates the Department of Insurance and prescribes the department's powers and duties. Existing law generally regulates the business of insurance in the state, including the underwriting and ongoing monitoring of insured risks. Existing law generally requires an insurer or insurance producer to have underwriting guidelines that establish the criteria and process under which an insurer makes its decision to provide or to deny coverage.

~~This bill would require~~

~~If a property insurer to employ~~ *uses* risk models for underwriting purposes ~~that purposes~~, *this bill would require the models to* account for wildfire risk reduction associated with hazardous fuel reduction, home hardening, defensible space, and fire prevention activities. The bill would authorize the department to examine *models used for* underwriting *purposes* to ensure compliance with that risk model requirement and to issue orders that are necessary to ensure compliance.

The bill would make related findings and declarations and would state the intent of the Legislature to do specified actions, including ensuring that actions taken to reduce wildfire risks and associated property losses are considered by property insurers in their underwriting evaluations by requiring that any models used for underwriting account for the identified categories of risk mitigation.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

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) The risk of catastrophic wildfires is increasing due to climate
5 change and past management practices that have dramatically
6 altered California’s forests and increased the density of trees
7 vulnerable to drought and disease.

8 (b)
9 (2) Building California’s resilience to catastrophic wildfires
10 means restoring the health of our forests and diverse landscapes
11 across the state and strengthening wildfire preparation within our
12 communities.

13 (c)
14 (3) It is the policy of the state to encourage science-based,
15 landscape-scale forest management by increasing the pace and
16 scale of hazardous fuel reduction through ecologically based
17 thinning and the use of prescribed fire. The Governor and United
18 States Forest Service established the Agreement for Shared
19 Stewardship of California’s Forest and Rangelands in 2020, calling
20 for 1,000,000 acres per year of forest treatments. Furthermore, the
21 Governor created the Wildfire and Forest Resilience Task Force
22 to bring together an unprecedented coalition of the best available
23 resources for preventing severe wildfires by promoting
24 landscape-scale forest management.

25 (d)
26 (4) Landscape-scale forest management and hazardous fuel
27 reduction reduce the risk of severe wildfires to homes, properties,
28 and communities in, and adjacent to, the wildland-urban interface
29 (WUI).

1 ~~(e)~~
 2 (5) The state has made significant investments in hazardous fuel
 3 reduction in recent years to support wildfire resilience, forest
 4 health, and community safety.

5 ~~(f)~~
 6 (6) Hazardous fuel reduction can substantially reduce insurers’
 7 average annual losses in, and adjacent to, the WUI and, as a result,
 8 reduce the cost of insurance or increase insurance availability, or
 9 both, to California consumers because of its ability to reduce
 10 catastrophic wildfire risk for homes, businesses, and communities
 11 in, and adjacent to, the WUI.

12 ~~(g)~~
 13 (7) Defensible space and home hardening help protect homes,
 14 businesses, and communities during wildfires, reducing the costs
 15 of wildfire disasters for property owners, communities,
 16 governments, and insurers.

17 ~~(h)~~
 18 (8) Community wildfire protection plans have been created by
 19 more than 550 communities in California and are important ways
 20 in which communities can identify and implement fire prevention
 21 activities needed to reduce their wildfire risk and losses.

22 ~~(i)~~
 23 (9) The Insurance Commissioner issued a regulation in 2022
 24 that requires insurance companies to provide discounts to customers
 25 who implement wildfire safety measures, including home hardening
 26 and defensible space.

27 ~~(j)~~
 28 (10) Although insurance risk models can account for the wildfire
 29 risk reduction benefit of hazardous fuel reduction, home hardening,
 30 and defensible space, most risk models used for underwriting by
 31 property insurers do not incorporate these risk reduction benefits.

32 *(b) It is the intent of the Legislature to do all of the following:*

33 *(1) Ensure that actions taken to reduce wildfire risks and*
 34 *associated property losses are considered by property insurers in*
 35 *their underwriting evaluations by requiring that any models used*
 36 *for underwriting account for the identified categories of risk*
 37 *mitigation.*

38 *(2) Retain property insurers’ discretion with regard to the use*
 39 *of those models and all underwriting decisions.*

1 (3) Provide the Department of Insurance with the authority to
 2 confirm that the identified categories of risk mitigation are
 3 accounted for in the models used by property insurers for
 4 underwriting without granting the department any additional
 5 authority over underwriting decisions or criteria.

6 SEC. 2. Article 5 (commencing with Section 3000) is added
 7 to Chapter 2 of Part 1 of Division 2 of the Insurance Code, to read:

8

9 Article 5. Underwriting Risk Models and Hazardous Fuel
 10 Reduction, Home Hardening, and Defensible Space

11

12 3000. As used in this article:

13 (a) “Defensible space” has the same meaning as defined in
 14 Section 51177 of the Government Code.

15 (b) “Fire prevention activities” has the same meaning as defined
 16 in Section 4124 of the Public Resources Code.

17 (c) “Hazardous fuel reduction” has the same meaning as defined
 18 in Section 4464 of the Public Resources Code.

19 (d) “Home hardening” has the same meaning as defined in
 20 Section 4291.5 of the Public Resources Code.

21 3001. ~~For~~ *If a property insurer uses risk models for*
 22 *underwriting purposes, a property insurer shall employ risk models*
 23 *that those models shall account for wildfire risk reduction*
 24 *associated with hazardous fuel reduction, home hardening,*
 25 *defensible space, and fire prevention activities for properties,*
 26 *communities, and landscapes.*

27 3002. The department may examine ~~property insurers’~~
 28 ~~underwriting~~ *models used by property insurers for underwriting*
 29 *purposes to ensure compliance with Section 3001 and may issue*
 30 *orders that are necessary to ensure compliance.*

