



Office of Emergency Services County of Tuolumne

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TO: Tuolumne County Natural Resources Committee

FROM: Dore Bietz - OES Assistant Director

SUBJECT: Discussion of California Department of Insurance Approval of Wildfire Risk Model

On February 16, 2021, the Tuolumne County Board of Supervisors voted to create the Tuolumne County Fire Safety Advisory Committee. The goal of this committee is to assist the Board as they work towards an identified top priority of preventing loss of life and reducing property damage due to catastrophic fire. This committee advises the Board on how to further achieve Board goals and objectives as it relates to Fire Safety.

The Board's Fire Safety Advisory Committee meets regularly on the 4th Weds of every month at 3pm and regularly on agenda is Fire Insurance and Risk Modeling discussions and presentations.

In December 2024, the CA Insurance Commissioner Ricardo Lara enforced his "first of its kind" catastrophe modeling and ratemaking regulation, a central part of his Sustainable Insurance Strategy to increase coverage in wildfire-distressed areas of the state. The Department of Insurance posted the final regulation after the Office of Administrative Law filed it with the Secretary of State, officially concluding a rulemaking process that saw strong public support over the past year.

In January of this year the Department of Insurance began implementing the new regulation that for the 1st time allows catastrophe models to be used for estimating the statewide expected losses from wildfires that insurance companies use in their insurance rates. As a part of the new regulation, a model advisor was hired to oversee the process of examining model integrity and ensuring public review. Under the regulation, once a model has undergone a pre-application required information determination (PRID), insurance companies can utilize that model in a rate filing listing their commitments to write more policies.

Catastrophe models are computerized processes that simulate potential catastrophic events. Catastrophe models have been rapidly evolving since their introduction in the 1980s, incorporating historical data, technology, scientific research, engineering methods, and statistical analysis to model complex scenarios and events. These highly sophisticated models are used in virtually all other states today, except California.

The CA Department of Insurance has completed its review of first wildfire catastrophe model, paving way for insurers to close coverage gaps statewide. This appears to ensure that

consumers' mitigation efforts and home hardening measures are factored into their insurance rates. This means for the 1st time, insurance rates can account for the wildfire safety efforts by property owners, governments and utilities. It also means that for the 1st time insurance rates will be based on the present climate and development, not the past.

Currently there are 4 wildfire catastrophe models that are undergoing grid procedures. This information is posted on the California Department of Insurance PRID Webpage, link found here <https://www.insurance.ca.gov/01-consumers/180-climate-change/DetermineProcedure.cfm>

Webinar recordings are also listed on the bottom of that page.

The first company to complete California's new regulatory review process for wildfire catastrophe models used in insurance ratemaking is Verisk. Check out <https://www.verisk.com/resources/campaigns/verisk-first-to-complete-california-prid-process-for-wildfire-catastrophe-models/> for more information.

On July 24, 2025, the California Insurance Commissioner issued a Public Notice of the Issuance of a Pre-Application Required Information Determination (PRID) of Verisk's Wildfire Model for the United States V4.0.0 (File No. PRID-2025-00001) found here https://www.insurance.ca.gov/01-consumers/180-climate-change/upload/PRID_NoticeLtr_Verisk_PRID-2025-00001.pdf

There is a great overview video of Verisk on the above webpage that goes through the modeling process. Consistent with governing law, such required model information shall remain confidential at this time but shall become publicly available when an insurer submits a rate application that relies upon the model. Any insurer relying upon this model for a rate application is expected to submit all information and data regarding a model specified in the PRID along with completed templates or worksheets with insurer-specific information.

What it means: Historically, California has mandated that insurers use historical data to set future rates, a practice that has contributed to higher premiums and spikes when wildfire disasters intensify, prompting insurers to retreat from wildfire-prone regions. Wildfire catastrophes models will contribute to more stable and sustainable insurance rates, without year to year fluctuations following major disasters – while reflecting the best available scientific data on mitigation efforts for the first time.

To help stabilize coverage during the implementation of these reforms, Commissioner Lara approved a temporary expansion of the FAIR Plan to include high-value commercial properties, such as homeowners associations, farms, and affordable housing developments. Starting July 26, 2025, these entities will qualify for new FAIR Plan coverage with a total aggregate limit of \$100 million per location. This expanded coverage will expire in 2028 as the private market recovers.

Attachments