

What Can We Do?

Policy Responses to Wildfire Risk



Free markets. Real solutions.

Founded in June 2012

- ❑ Nonprofit, nonpartisan, public policy research organization
- ❑ Believe free markets work better than the alternatives
- ❑ Also recognize that the legislative process calls for practical responses to current problems

R Street differs from other groups in our dedication to building broad coalitions and working with a wide array of groups who share specific policy goals. This makes us uniquely capable of building support for pragmatic, free-market proposals that can earn bipartisan consensus.

Impact on Calif. homeowners insurance market

- ❑ Loss Ratio (2007-2016)
High: 71.7 (2007)
Low: 34.7 (2009)
Avg: 49.7
- ❑ Loss Ratio 2017: 201.3
- ❑ Loss Ratio 2018: 176.1

California FAIR Plan, 2014 to 2018

- ❑ Market Share up 13% from 0.69% to 0.78%
- ❑ Exposure up 15% from \$44B to \$50.3B
- ❑ Total Policies down 4% from 129k to 124k
- ❑ Commercial Policies down 21% from 5k to 4k

Florida Citizens, 2014 to 2018

- ❑ Market Share down 51% from 8.5% to 4.2%
- ❑ Exposure down 46% from \$202B to \$109B
- ❑ Total Policies down 53% from 982k to 460k
- ❑ Since 2008, exposure down 74% and policies down 67%

Prop 103 (1988)

- ☐ Limits the ability of insurance markets to adjust.
- ☐ Disallows consideration of reinsurance costs.
- ☐ Limits use of cat models.
- ☐ Legislature constrained to proposals that forward the purpose of Prop 103.

Recent California legislation

- ❑ AB 1054, signed by Gov. Newsom, creates \$21B Wildfire Fund for utilities.
- ❑ AB 740, did not pass, exempts fire-only insurers in high-risk zones from FAIR Plan.
- ❑ Commissioner Lara doubled FAIR Plan's policy limits from \$1.5M to \$3M.

What California should do

- ❑ Loosen Prop 103 implementation, especially around cat models.
- ❑ Reform zoning to allow much more building in fire-safe zones.
- ❑ Expand grants for mitigation or, in the extreme, relocation.

What California should not do

- ☐ Orders against nonrenewals.
- ☐ Unfairly cap rates.
- ☐ Create a Fla Cat Fund style reinsurer.

Ideas worth exploring

- ☐ Microgrids
- ☐ Community risk transfer
- ☐ Parametrics and InsurTech
- ☐ Environmental intervenors
- ☐ Resilience bonds

THANKS!

Any questions?

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