

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
300 Capitol Mall, 17th Floor  
Sacramento, CA 95814**

**FINAL TEXT OF REGULATION**

**MITIGATION IN RATING PLANS AND WILDFIRE RISK MODELS**

**September 1, 2022**

**REG-2020-00015**

Title 10. Investment  
Chapter 5. Insurance Commissioner  
Subchapter 4.8. Review of Rates  
Article 4. Determination of Reasonable Rates

Adopt: Section 2644.9. Consideration of Mitigation Factors; Wildfire Risk Models.

- (a) Applicability.
- (1) An insurer that applies or uses a rate that is developed with, determined by or relies upon, in whole or in part, a rating plan that segments, creates a rate differential, or surcharges the premium based upon a policyholder or applicant's wildfire risk shall comply with this Section 2644.9. If a rate that is developed with, determined by or relies upon a rating plan that complies with this section is approved, in whole or in part, and thereafter such rating plan is replaced, or modified in any manner, including but not limited to, the inclusion of new factors, or different criteria or algorithms, the insurer shall, prior to implementing the new or modified rating plan, file a new rate application, which shall include the new or modified rating plan. No such new or modified rating plan shall be used unless and until the new rate application is approved.
  - (2) A rating plan shall satisfy the requirements of subdivision (d)(1) of this Section 2644.9 only if the rating plan taken as a whole, including the operation of any Wildfire Risk Models that may be incorporated into the rating plan, takes into account and reflects the factors described in subdivisions (d)(1)(A) and (d)(1)(B) of this section. Nothing in this section shall be construed to require the use of a Wildfire Risk Model.

(b) Definitions.

As used in this section, each of the following terms has the meaning set forth below:

(1) Building Being Evaluated.

The term “Building Being Evaluated” means the residential or commercial structure in question, and includes decks that are attached to or abut the structure.

(2) Class-A Fire Rated Roof

A “Class-A Fire Rated Roof” is a roof that receives a Class A rating when tested in accordance with ASTM E108 or UL 790.

(3) Enclosed Eaves.

“Enclosed Eaves” are roof eaves that have either (1) boxed-in roof eave soffits with a horizontal underside or (2) an exterior covering applied to the underside of the rafter tails supporting the eaves, which covering is sloped corresponding to the slope of the rafter tails. Enclosed Eaves are thus distinguishable from open roof eaves, whose rafter tails are exposed.

(4) Fire-Resistant Vents.

“Fire-Resistant Vents” are vents, including but not limited to ventilation openings for enclosed attics, enclosed eave soffit spaces, enclosed rafter spaces formed where ceilings are applied directly to the underside of roof rafters, and underfloor ventilation openings, that are fully covered with wildland flame and ember resistant vents approved and listed by the California State Fire Marshal or with vents listed to the ASTM E2886 standard.

(5) Firewise USA Site in Good Standing.

A “Firewise USA Site in Good Standing” is a community that, at the time the Building Being Evaluated is rated, is recognized as such by the National Fire Protection Association, a Massachusetts 501(c)(3) corporation.

(6) Wildfire Risk Model.

(A) The term "Wildfire Risk Model" means any tool, instrumentality, means or product, including but not limited to a map-based tool, a computer-based tool or a simulation, that is used by an insurer, in whole or in part, to

measure or assess the wildfire risk associated with a residential or commercial structure for purposes of:

1. Classifying individual structures according to their wildfire risk; or
2. Estimating losses corresponding to such wildfire risk classifications.

(B) The term "Wildfire Risk Model" does not include models used for purposes of projecting aggregate losses under Section 2644.4 or 2644.5.

(c) Wildfire Risk Models to be provided to the Commissioner.

Pursuant to Insurance Code section 1861.05, subdivision (b), any Wildfire Risk Model, as defined in subdivision (b)(6) of this section, that is used, in whole or in part, in an insurer's rating plan shall be provided to the Commissioner as part of an insurer's complete rate application.

(d) Mandatory factors.

(1) No insurer shall use a rating plan that does not take into account and reflect the following mandatory factors:

(A) Community-level mitigation designations: The rating plan shall reflect, and the rate offered to the applicant or insured shall be based in part on, the reduced wildfire risk associated with each and every community-level mitigation designation listed below in this subdivision (d)(1)(A) that is applicable to the community in which the Building Being Evaluated is located. Community-level mitigation designations include:

1. Fire Risk Reduction Community listed by the Board of Forestry pursuant to Public Resources Code section 4290.1; and
2. Firewise USA Site in Good Standing.

(B) Property-level mitigation efforts.

The rating plan shall reflect, and the rate offered to the applicant or insured shall be based in part on, the reduced wildfire risk resulting from each and every property-level wildfire risk mitigation effort listed in subdivisions (d)(1)(B)1.a. through (d)(1)(B)1.e. and (d)(1)(B)2.a. through (d)(1)(B)2.e., below, that is undertaken with respect to an individual

property being assessed for risk. Individual property-level wildfire risk mitigation efforts include:

1. Measures addressing the immediate surroundings of the Building Being Evaluated, including:
  - a. Clearing of vegetation and debris from under decks,
  - b. Clearing of vegetation, debris, mulch, stored combustible materials, and any and all movable combustible objects, from the area within five (5) feet of the Building Being Evaluated,
  - c. Incorporation of only noncombustible materials into that portion of any improvements to the property on which the Building Being Evaluated is located, including fences and gates, which is situated within five (5) feet of the Building Being Evaluated,
  - d. Removal or absence of combustible structures, including sheds and other outbuildings, from the area within thirty (30) feet of the Building Being Evaluated or, in the event that the applicant or insured does not control the entirety of the area extending thirty feet from the Building Being Evaluated, removal of combustible structures from as much of such area as is under the control of the applicant or policyholder, and
  - e. Whether the property upon which the Building Being Evaluated is situated complies with Section 4291 of the Public Resources Code, and any applicable local ordinances, governing defensible space; and
2. Building hardening measures, including provision of the following:
  - a. Class-A Fire Rated Roof,
  - b. Enclosed Eaves,
  - c. Fire-Resistant Vents,

- d. Multipane windows, including dual pane windows, or functional shutters, which when closed, cover the entire window and do not have openings, and
    - e. At least six (6) inches of noncombustible vertical clearance at the bottom of the exterior surface of the building, measured from the ground up.
  - (2) No later than one hundred eighty (180) days following the date this section is filed with the Secretary of State, each insurer shall file a rate application that incorporates a rating plan that includes the factors described in subdivision (d)(1) of this section.
- (e) Optional factors.

An insurer may use a rating plan which incorporates other factors that the insurer demonstrates are substantially related to risk of wildfire loss, and do not result in rates that are excessive, inadequate or unfairly discriminatory. These optional factors may include, but are not limited to:

- (1) Fuel: This factor shall take into account the various types of combustible materials, and the density of those materials, in the vicinity of the Building Being Evaluated, including the location of trees, grass, brush, and other vegetation relative to the structure. The fuel factor shall take into account the fact that different fuels burn at different rates and intensities, resulting in different levels of wildfire risk. If used, this factor shall reflect the historic and estimated impact on losses related to fuel, as described in this subdivision (e)(1).
- (2) Slope: This factor shall take into account the position of the Building Being Evaluated on a slope relative to potential sources of ignition, and the steepness of the slope between those potential sources of ignition and the structure. If used, this factor shall reflect the historic and estimated impact on losses related to slope, as described in this subdivision (e)(2).
- (3) Access: Access reflects the ease or difficulty with which firefighting personnel and equipment can reach structures at risk of wildfire. The access factor shall include consideration of the presence of dead-end roads, road width, shoulders, and availability of multiple access points with respect to the Building Being Evaluated. If used, this factor shall reflect the historic and estimated impact on losses related to access, as described in this subdivision (e)(3).
- (4) Aspect: The aspect factor shall reflect the direction the slope upon which the Building Being Evaluated is located faces. If used, this factor shall reflect the historic and estimated impact on losses related to aspect, as described in this subdivision (e)(4).

- (5) Structural characteristics: The structural characteristics factor shall reflect the materials used in the construction, and may reflect such items as the design, of the Building Being Evaluated. The structural characteristics factor shall not reflect the construction materials or any other item the insurer is required to take into account pursuant to subdivision (d) of this section. If used, the structural characteristics factor shall reflect the historic and estimated impact on losses related to structural characteristics, as described in this subdivision (e)(5).
- (6) Wind: The wind factor shall take into account the degree to which wind speed and direction in the vicinity of the Building Being Evaluated may impact a wildfire's progression. If used, the wind factor shall reflect the historic and estimated impact on losses related to wind, as described in this subdivision (e)(6).
- (7) Other community-level or property-level mitigation efforts, or designations, not specified in subdivision (d) of this section as recommended by a state or local fire safety agency or organization as reducing wildfire risk.

(f) Availability for public inspection.

Any rating plan, or Wildfire Risk Model submitted to the Commissioner in connection with a complete rate application pursuant to subdivision (c) of this section, or any additional documentation relating to such rating plan or model as may be requested by the Commissioner during the review of any such application, including any records, data, algorithms, computer programs, or any other information used in connection with the rating plan or Wildfire Risk Model used by the insurer which is provided to the Commissioner, shall be available for public inspection pursuant to Insurance Code sections 1861.05, subdivision (b), and 1861.07, regardless of the source of such information, or whether the insurer or the developer of the rating plan or Wildfire Risk Model claims the rating plan or Wildfire Risk Model is confidential, proprietary, or trade secret. Pursuant to Insurance Code section 1855.5, subdivision (a), a Wildfire Risk Model as defined in subdivision (b)(6) of this section that is made available by an advisory organization to its members for use in California shall be filed with the Commissioner and made available for public inspection.

(g) Credible data.

Any rate application shall incorporate the insurer's own California wildfire loss data to the extent that it is credible to support each segment, rating differential, or surcharge being requested. To the extent the insurer's own California data is not fully credible, the insurer shall credibility-weight its data with an appropriate complement of credibility to support each segment, rating differential, or premium surcharge. If the Commissioner aggregates California premium-and-loss data by wildfire risk to create a fire and wildfire exposure risk manual, an insurer may rely on the then-current version of the manual as support for each segment, rating differential, or surcharge being requested in connection

with a residential property rate application, either directly or as a complement of credibility to the insurer's own California wildfire loss data.

- (h) Provision of wildfire risk score or other wildfire risk classification to policyholder or applicant.

An insurer utilizing a Wildfire Risk Model, or rating factor, to segment, create a rate differential, or surcharge the premium based upon the policyholder or applicant's wildfire risk shall, within one hundred eighty (180) days after the date this section is filed with the Secretary of State, implement a written procedure to provide, in writing, to each such policyholder or applicant for property insurance the wildfire risk score or other wildfire risk classification used by the insurer to segment, create a rate differential, or surcharge the premium based upon the policyholder or applicant's wildfire risk. The insurer shall provide to the policyholder or applicant such wildfire risk score or classification at the following times:

- (1) No later than fifteen (15) days following the submission to the insurer of the applicant's completed application;
  - (2) At least forty-five (45) days prior to each renewal;
  - (3) At least seventy-five (75) days prior to any nonrenewal; and
  - (4) In the event that the policyholder or applicant has completed a mitigation measure on the subject property since the time of the last application to or renewal by the insurer, no later than thirty (30) days following the submission to the insurer of the policyholder or applicant's request that the insurer provide a revised wildfire risk score or wildfire risk classification.
- (i) Policyholder or applicant's right to appeal.

The procedure described in subdivision (h) of this section shall permit a policyholder under, or applicant for, a policy of property insurance who disagrees with the assignment of the wildfire risk score, or other wildfire risk classification, provided to the policyholder or applicant pursuant to that subdivision the right to appeal orally or in writing that assignment directly to the insurer. The insurer shall notify the policyholder or applicant in writing of this right to appeal the wildfire risk score or other wildfire risk classification whenever such score or classification is provided to the policyholder or applicant as set forth in subdivision (h) of this section. If the policyholder or applicant appeals the wildfire risk score or other wildfire risk classification, the insurer shall acknowledge receipt of the appeal in writing within ten (10) calendar days of receipt of the appeal. The insurer shall respond to the appeal in writing with a reconsideration and decision within thirty (30) calendar days after receiving the appeal. In the event that an

appeal is denied, the insurer shall, upon request by the Department, forward a copy of the appeal, and the insurer's response, to the Department.

(j) Representation by broker or agent.

If the policyholder or applicant is represented by a broker, or the insurer is represented by an insurance agent with respect to the policyholder's policy or the applicant's application, the policyholder or applicant may appeal orally or in writing to the agent or broker the assignment of wildfire risk score or other wildfire risk classification, who shall then forward that appeal to the insurer no later than five (5) calendar days after receiving the appeal from the policyholder or applicant. The insurer shall acknowledge receipt of the appeal in writing to the policyholder or applicant and the agent or broker no later than five (5) calendar days after receipt of the appeal from the broker or agent. The insurer shall respond to the appeal to the policyholder or applicant and the agent or broker with a written reconsideration and decision of the appeal within thirty (30) calendar days after receiving the appeal from the broker or agent. In the event that an appeal is denied, the insurer shall, upon request by the Department, forward a copy of the appeal, and the insurer's response, to the Department.

(k) Explanation of wildfire risk score or other wildfire risk classification.

Whenever a wildfire risk score, or other wildfire risk classification used by the insurer to segment, create a risk differential or surcharge the premium for a particular policyholder or applicant, is identified or provided to the policy holder or applicant pursuant to subdivision (h) of this section, the insurer shall also provide in writing:

- (1) The range of such scores or classifications that could possibly be assigned to any policyholder or applicant;
- (2) The relative position of the score or classification assigned to the policy holder or applicant in question within that range of possible scores or classifications, and the impact of the score or classification on the rate or premium; and
- (3) A detailed written explanation of why the policy holder or applicant received the assigned score or classification; the explanation shall make specific reference to the features of the property in question that influenced the assignment of the score or classification.

The insurer shall provide, in addition, the following information:

- (A) Which mitigation measure or measures can be taken by the policyholder or applicant to lower the wildfire risk score or classification; and
- (B) The amount of premium reduction the policyholder or applicant would realize as a result of performing each such measure under the insurer's rating plan that is in effect at the time.



- (l) Notification to policyholder or applicant of right to contact Department in connection with insurer's response to appeal.

When an insurer responds to the applicant or policyholder in connection with an appeal pursuant to subdivision (i) or (j) of this section, it shall also notify the policyholder or applicant in writing that the policyholder or applicant may contact the Department of Insurance for assistance if the policyholder or applicant disagrees with the insurer's written reconsideration and decision. In any event, the insurer shall provide the policyholder or applicant with the Department of Insurance toll-free consumer hotline and web address of the Department's Consumer Complaint Center.

- (m) No curtailment of applicant or policyholder's rights.

Nothing in this section shall be construed to limit the right of an applicant or policyholder to complain directly to the Commissioner at any time or to pursue any other remedy or other action allowed under California or federal law.

- (n) Inapplicability to certain commercial policies.

This section shall not apply to a commercial policy insuring multiple locations, none of whose wildfire risk is considered in rating the policy.

NOTE: Authority cited: Sections 1858, 1859, 1861.01, 1861.05 and 1861.07, Insurance Code; *20th Century v. Garamendi*, 8 Cal.4th 216 (1994). Reference: Sections 1851, 1855.5, 1858, 1861.05, 1861.07 and 1861.13, Insurance Code.