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May 28, 2019

Honorable Ricardo Lara  
Insurance Commissioner  
300 Capitol Mall, Suite 1700  
Sacramento, CA 95814

**RE: Letter of Concern on availability and affordability on Homeowners' Fire Insurance**

Dear Honorable Insurance Commissioner Ricardo Lara,

On behalf of the Nevada County Board of Supervisors, I am writing to express the County's strong concern over the affordability and availability of fire insurance to homeowners in Nevada County. As you are aware, homeowners across the state are reporting widespread loss or large increases in insurance premiums in the areas identified as elevated or extreme high-fire danger areas, also referred to as Tier 2 and Tier 3 areas, respectively. Nevada County alone includes approximately 21,285 improved parcels in Tier 2 and 14,775 improved parcels in Tier 3 areas. This means that approximately 36,059 out of 47,283 (approximately 75%) improved parcels County-wide are at risk of losing insurance or may soon be unable to afford homeowner insurance with dramatic increases in premiums of up to 69% as outlined in the recent Senate Insurance Committee Hearing on May 8, 2019.

The County whole-heartily understands the need of the insurance industry to reexamine and evaluate how it determines risk in California, given the new normal of catastrophic wildfires that have occurred over the last several years. However, increased transparency and uniform risk modeling standards need to be applied across the industry that take into consideration a) individual homeowner fire mitigation efforts (i.e. vegetation management and home hardening), b) local certification programs (i.e. Boulder Colorado's Wildfire Partners Program, etc.), c) neighborhood mitigation programs (i.e. Firewise Communities, etc.), and d) regional fire mitigation activities at the local and state levels (i.e. CalFIRE firebreak projects, increased County hazardous vegetation inspections, etc.). County and local governments stand to bear serious costs associated with any crisis recovery and need to be at the table to help avert exacerbated recovery costs compounded by a lack of insurance coverage.

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I encourage the Department to work closely with the Governor's Office on how it might be able to collaborate with the California Public Utilities Commission (CPUC) to increase its expertise on wildfire mitigation and catastrophic risk modeling, as recommended in the Governor's Taskforce Report released on April 12, 2019. Other opportunities for the Department to consider may be to re-evaluate whether the California Insurance Guarantee Association (CIGA) homeowners' coverage limit, set by statute in 1978 of \$500,000, remains adequate. If a standard consumer price index of 2% initially were applied, today's CIGA coverage limit would be over \$1.1 million.

Action is also needed to develop a centralized means of measuring consumer access to insurance coverage that aggregates an insurer's willingness to offer coverage in a given area, which the Senate Committee on Insurance Update on Wildfire and Homeowners Insurance: Access and Affordability Report highlighted as a current gap. This is despite the passage of SB 824 (Lara) in 2018 that authorizes the Department to conduct a biennial data call on insurers' losses related to fires and wildfires but who's first round of data will not be due until 2020.

And while it is undisputed that California's some 3.6 million homes located within the Wildland Urban Interface (WUI) are at greater risk of the threat of wildfire; how we manage and absorb those risks remains at debate. We urge you and the Department of Insurance to ensure that County and local governments are a part of the conversation on how to best manage the risks and costs associated with catastrophic events that does not leave California residents at financial jeopardy or ruin. Therefore, I respectfully request that you include Nevada County as a contributing stakeholder in forthcoming and ongoing transparent discussions.

Of course, if you have any questions, please do not hesitate to contact me.

Sincerely,

Richard Anderson  
Chair, Board of Supervisors