



## **IBHS Position on Legislative/Regulatory Proposals to Require Insurance Discounts for Wildfire Mitigation**

*December 2017*

Proposals under consideration by the California Department of Insurance (DOI) include language about homeowners' insurance discounts/rate reductions for homes that meet certain wildfire mitigation standards. Some of these measures are based upon Insurance Institute for Business & Home Safety (IBHS) wildfire mitigation guidance addressing the structure itself, as well as the need for defensible space around the structure. However, we feel compelled to note that the DOI-proposed measures both go well beyond the scope of, and misconstrue, IBHS' specific guidance.

As these proposals are being circulated, questions also have arisen about IBHS' position on the broader issue of insurance-related incentives to encourage wildfire mitigation. The following points are intended to answer those questions.

**About IBHS:** IBHS is a nonprofit, 501(c)(3) scientific research and communications organization. IBHS' mission is to identify and promote effective ways to strengthen homes, businesses and communities against natural disasters and other causes of loss. IBHS does not engage in lobbying at the federal or state level. IBHS provides technical input to public policymakers and other stakeholders in the built environment about effective (or ineffective) mitigation tools, including building codes and standards. IBHS also works with public policymakers to ensure that any references to IBHS programs are correct and refer only to actively supported, scalable programs. IBHS does not engage in legislative or regulatory discussions about insurance underwriting or pricing.

IBHS created FORTIFIED Home standards specifically to address hurricane and high wind hazards. By design, IBHS has not created a FORTIFIED Home standard for wildfire, because wildfire risk exposure is fundamentally different from wind risk exposure. Any use of IBHS hurricane or high wind standards – as well as related public policy or risk modeling – for wildfire risks is unfounded and inappropriate.

IBHS' wildfire research focuses on structures and the role that embers play in fire-to-building ignitions; it does not focus upon how other significant wildfire risk variables (vegetation, location, slope, or other factors) affect the development, growth or spread of wildfires. Additionally, because of the importance of a variety of ever-changing property maintenance items (including, but certainly not limited to, growing vegetation) as they relate to wildfire risk, a building-specific standard for wildfire will not be accurate over time. As a result of these factors, inspection and validation components that are central to the FORTIFIED Home hurricane and high wind standards are not transferrable to the wildfire context; therefore, reliance upon FORTIFIED Home hurricane and high wind standards by policymakers addressing wildfire risk exposure could be detrimental to homeowners.

### **Relevant IBHS Positions:**

- IBHS opposes mandatory insurance discounts or rate reductions.
- IBHS also opposes public policy requiring insurers to file discounts or rate reductions, or to comply with benchmark discounts or rate reductions established by legislation or state insurance regulators.
- IBHS supports voluntary decisions by individual insurers to provide discounts, rate reductions, or other financial incentives to policyholders who meet the criteria established by that insurance company.
- Consistent with federal and state antitrust laws, IBHS does not consult with insurance companies about their marketplace decisions with respect to insurance incentives and is aware of such actions only as they are reported publicly.
- IBHS' position on insurance incentives is consistent across all states and at the federal level.