



December 12, 2025

California Earthquake Authority Wildfire Fund Administrator

**Solutions to protect consumers from the growing costs of extreme weather events
– SB 254 Natural Catastrophe Resiliency Study**

Extreme weather worsened by climate change is increasing the cost of wildfires in California. Utility and insurance consumers with the least capacity to pay are bearing a disproportionate share of these costs in the form of rising bills, loss of coverage, and, too often, delay or denial of insurance benefits they are owed.

Nearly nine in ten Californians are worried they will not be able to get, or afford, insurance.¹ 82% of voters are concerned about the high cost of their electricity bills.²

Responsible parties should pay the price for increasing climate costs. However, we also cannot rate hike our way out of the climate crisis. To reduce costs California must reduce the risk of loss.

#1: Guaranteed insurance coverage for fire-safe homes.

The science is clear that wildfire mitigation in the form of home-hardening and defensible space significantly reduces the risk of damage to structures from a wildfire event. Wildfire mitigation's crucial role in reducing insurance risk is widely accepted by all stakeholders. Still, for far too long most insurers have failed to recognize risk reduction undertaken by homeowners when making their sales and pricing decisions.

Insurance companies use private, unregulated algorithms and AI to "score" homeowners fire risk. These models ignore mitigation. As a result, even homeowners whose homes meet the highest fire-safety standards are still arbitrarily denied coverage, nonrenewed, or face premium hikes that do not reflect their risk reduction efforts. This has destabilized California's homeowners insurance market. Real estate sales have suffered in turn.

¹ *Public Policy Institute of California*. "Statewide Survey: Californians and the Environment." July 2025, <https://www.ppic.org/event/statewide-survey-californians-and-the-environment-july-2025/>

² *David Binder Research*. California Affordability Polling Memo. April 2025, https://static1.squarespace.com/static/63c1c8c8e9c7381c9319452b/t/680aa8fdcb3fc25e0d78499/1745529085901/Binder_April_2025_CA+Affordability_Polling+Memo.pdf

Requiring insurance companies to cover Californians who make their homes fire-safe is the number one action the state can take to increase resilience in our neighborhoods, reduce costs and expand Californians' access to insurance.

85% of voters believe that home insurers should be required to guarantee coverage to homeowners that meet state fire safety guidelines.³

As climate risk drives significant expansions of state fire hazard maps, the state itself is requiring more and more property owners to meet higher building and defensible space standards. Homeowners must know they will be able to get insurance when they make those investments.

In 2022, the Department of Insurance took a first step when it passed "Safer from Wildfires" regulations requiring insurers to give homeowners premium discounts for meeting ten home hardening and defensible space standards, and for living in a Firewise community. However, the discounts are generally too small to make a difference, and the rules don't prevent insurance companies from denying people coverage altogether, even if they have met the guidelines.

The FAIR Plan has nearly doubled in size, and hundreds of thousands of homeowners have lost coverage in recent years.⁴ To get more Californians insured we need a guarantee that when they do the right thing, and protect their homes from fire, they will be able to access insurance. The urgency is higher in the wake of the Los Angeles fires where the availability of insurance will be a key factor in whether homeowners choose to stay and rebuild or go.

The following studies provide both modeled and concrete evidence from real-world disasters that structure-level mitigation works to reduce risk of loss. They are only a sample of the many hundreds of academic, industry and governmental studies available that show fire-safe buildings are significantly less likely to burn.

- A joint National Association of Insurance Commissioners/Insurance Institute for Business and Home Safety study found that "structural modifications can reduce

³ *Megafire Action & Hart Research*, "Key Findings from a Survey on Wildfires among California Voters." November 2025, <https://www.megafire.org/insights?pid=44>
FM3 Research, "California Voter Attitudes Toward Insurance Companies." 3 Oct. 2025, <https://consumerwatchdog.org/wp-content/uploads/2025/10/220-7554-CA-Voter-Insurance-Issues-Survey-Memo-DIA.pdf>

⁴ Megan Fan Munce & Sriharsha Devulapalli, "These California counties have the worst home insurance nonrenewal rates in the U.S." *San Francisco Chronicle*, Dec. 19, 2024, <https://www.sfchronicle.com/california/article/home-insurance-nonrenewal-rates-19988913.php>

wildfire risk up to 40%, and structural and vegetation modifications combined can reduce wildfire risk up to 75%.”⁵

- Fifty-eight percent of the new homes in Paradise, built to meet California’s 2008 fire-resistant building codes, survived the Camp Fire, while just eighteen percent of older homes did.⁶
- A 2019 CalFire analysis of the relationship between defensible space compliance (as assessed through its defensible space inspection program) and destruction of structures during the seven largest fires that occurred in California in 2017 and 2018 concluded that the risk of a structure being destroyed by wildfire was five times lower for homes with compliant defensible space.⁷
- The National Institute of Building Sciences found that adopting the 2015 edition of the International Code Council’s International Wildland Urban Interface Code (IWUIC) in 10,000 census blocks across the country would generate \$4 in wildfire mitigation savings for every \$1 invested and retrofitting 2.5 million homes to the 2018 IWUIC could provide a nationwide benefit-cost ratio as high as \$8 to \$1. These are “benefits that represent avoided casualties, property damage, business interruptions, and insurance costs and are enjoyed by all building stakeholders including developers, title-holders, lenders, tenants and communities.”⁸
- The University of California Berkeley examined five past California fires to test the combined effects of homeowners’ fire safety actions and found that wildfire mitigations including home hardening and defensible space reduced the risk to homes by 52% percent.⁹
- The Strengthen Alabama Homes program funds homeowner grants to retrofit roofs for hurricane defense. A study of results after Hurricane Sally found the state’s program had reduced the frequency of claims by 55 to 74 percent, the severity of

⁵ National Association of Insurance Commissioners (NAIC), Center for Insurance Policy Research. Application of Wildfire Mitigation to Insured Property Exposure. CIPR Research Report, 15 Nov. 2020, https://content.naic.org/sites/default/files/cipr_report_wildfire_mitigation.pdf.

⁶ Dale Kasler and Phillip Reese, “‘The weakest link’: Why your house may burn while your neighbor’s survives the next wildfire.” *The Sacramento Bee*, 11 April 2019, <https://www.sacbee.com/news/california/fires/article227665284.html>

⁷ Legislative Analyst Office, Reducing the Destructiveness of Wildfires: Promoting Defensible Space in California, September 2021, <https://lao.ca.gov/Publications/Report/4457>.

⁸ Ruben Grijalva, “How Better Building Codes Can Mitigate Wildfires’ Devastation.” *Governing*, Oct. 22, 2020, <https://www.governing.com/community/how-better-building-codes-can-mitigate-wildfires-devastation.html>

⁹ Kara Manke, “California Communities Can Reduce Wildfire Damage by Half. Here’s How.” *Berkeley News*, 28 August 2025, <https://news.berkeley.edu/2025/08/28/california-communities-can-reduce-wildfire-damage-by-half-heres-how/>

claims by 15 to 40 percent, and reduced deductibles paid by policyholders by more than 60 percent.¹⁰

Guaranteeing coverage to fire-safe homes will incentivize mitigation and reduce the risk that the next big utility-sparked wildfire causes massive loss of property or lives.

There is strong precedent for requiring insurers to cover people who do the right thing. Proposition 103 requires insurance companies to sell automobile insurance policies to any safe motorist who qualifies as a good driver under the law,¹¹ and insurance companies are required to give good drivers a discount of at least 20%.¹²

#2. Make fossil fuel companies contribute to climate resilience and recovery.

Big Oil has known for decades that their emissions cause extreme weather but lied to the public.¹³ Fossil fuel companies continue to profit while externalizing the costs to all Californians, who are paying the price of worsening disasters.¹⁴ Responsible parties should contribute to climate resilience and recovery, yet fossil fuel companies have thus far shirked that obligation.

Make responsible industries pay for prevention and recovery.

We recommend holding fossil fuel companies responsible for their share of losses due to wildfires and other extreme weather events. For example, researchers found that human-induced warming from burning fossil fuels made the Los Angeles Fires 35% more likely, with an estimated 6% increase in intensity.¹⁵ Yet fossil fuel companies have contributed \$0 to the recovery from the Los Angeles Fires, or any other weather-related disasters.

Insurance companies' right to subrogation gives them the ability to seek compensation for claims paid from a responsible party. The insurance industry should seek reimbursement through subrogation from the fossil fuel companies responsible for climate change. The Attorney General should seek financial recovery from fossil fuel companies that knowingly contributed to climate disasters for state losses from fossil fuel-driven weather disasters. And disaster survivors need a clear path to recover their losses from oil companies, not just utilities.

¹⁰ Alabama Department of Insurance and Center for Risk and Insurance Research. *Performance of IBHS FORTIFIED Home™ Construction in Hurricane Sally*. May 5, 2025, <https://aldoi.gov/pdf/news/performanceibhsfortifiedhomeconstructionhurricanesally.pdf>

¹¹ Insurance Code section 1861.02(b)(1)

¹² Insurance Code section 1861.02(b)(2)

¹³ Benjamin Franta, "Shell and Exxon's Secret 1980s Climate Change Warnings." *The Guardian*, 19 Sept. 2018, <https://www.theguardian.com/environment/climate-consensus-97-per-cent/2018/sep/19/shell-and-exxons-secret-1980s-climate-change-warnings>

¹⁴ Liza Tucker, "Black Gold: The \$10 Trillion Dollar Cost of California Oil." *Consumer Watchdog*, June 2022, https://consumerwatchdog.org/wp-content/uploads/2022/06/2022-06_BLACK-GOLD%E2%80%9494JUNE.pdf

¹⁵ Clair Barnes, Theo Keeping, Gavin Madakumbura, et al. "Climate Change Increased the Likelihood of Wildfire Disaster in Highly Exposed Los Angeles Area." *World Weather Attribution*, 28 Jan. 2025, <https://www.worldweatherattribution.org/climate-change-increased-the-likelihood-of-wildfire-disaster-in-highly-exposed-los-angeles-area/>

To enable this, California should create a cause of action allowing fossil fuel companies to be held liable for harms caused by climate-induced extreme weather events.

Polluters Pay legislation, most recently SB 684 by Senator Menjivar and AB 1243 by Assemblymember Addis, would apportion damages to the largest polluters for past harm due to climate change. Creating a Superfund to collect oil company payments for their share of disaster-driven costs is critical to shifting the cost of disaster recovery and community resilience from overburdened households. New York and Vermont have already passed similar legislation.

The insurance industry also bears responsibility for climate change, through its investments in, and underwriting of, fossil fuel projects. Insurance companies have over \$500 billion in fossil fuel investments alone. The state should impose a fee on insurance producer licenses to fund individual and community resilience projects including home hardening and vegetation management/defensible space.

#3: Strengthen insurance policyholder protections so insurers pay what they owe survivors.

Insurance companies collect premiums in return for a promise to pay when disaster strikes. In the wake of disaster, too many report they are not getting what they're owed. The Department of Angels surveyed over 2,300 survivors of the Los Angeles fires.¹⁶ They found that, nine months after the fires, a full 70% of homeowners still can't go home.

Insurance companies must be fully held to their obligations so consumers, and the public safety nets they fall back on in times of trouble, are not left bearing that burden. Restoring or rebuilding homes to the highest resiliency standards also requires that insurance policyholders receive the full benefits they are entitled to.

Transparency to prevent claims handling abuses.

Independent adjusters and licensed contractors prepare detailed estimates based on actual conditions in the home. Survivors and their adjustors report that too often those estimates are altered, reduced, or rewritten entirely before being returned to the homeowner.¹⁷ Insurers know that homeowners cannot challenge numbers they are never allowed to see.

Current law¹⁸ and regulations¹⁹ require insurance companies to provide claims-handling documents to consumers upon request. What is missing is mandatory disclosure, version tracking, and penalties that deter manipulation.

¹⁶ Angela Giacchetti, "'This Is Bigger. This Is Systemic.' What 2,335 Fire Survivors Told Us Nine Months After the Fires." *Department of Angels*, October 2025, <https://www.deptofangels.org/news/this-is-bigger-this-is-systemic-what-2335-fire-survivors-told-us-nine-months-after-the-fires>

¹⁷ *Eaton Fire Survivors Network*, "The State Farm Files: Systemic Violations of Law After the Eaton and Palisades Fires." August 2025, <https://static1.squarespace.com/static/67f5687fc4ea480d5d201fe5/t/689289e26e768c0c12ca6b2b/1754434019091/The+State+Farm+Files+080125.pdf>

¹⁸ Insurance Code §§ 2071

¹⁹ 10 CCR §§ 2695.5, 2695.7

We recommend requiring insurers to proactively provide every version of every loss estimate to consumers in a homeowner-accessible portal until the claim is fully resolved, and imposing automatic penalties when documentation is missing, incomplete, or altered without explanation.

Preventing illegal claims handling delays.

California already has some of the strongest prompt-payment insurance regulations in the nation. Under existing rules, insurers must: Respond to policyholders within 15 days, accept or deny a claim within 40 days of receiving proof of loss, and issue all undisputed payments within 30 days.

Yet these regulations are not being enforced in any consistent or effective way. Multiple states already impose serious penalties for insurer delay. We recommend the state codify these timelines and impose an automatic 20% annual interest penalty on overdue amounts.

Securing quick payment for those most vulnerable

Additional Living Expense (ALE) coverage pays for the cost of displacement after a home is lost, or rendered uninhabitable, including rent. Insured families are entitled to up to 36 months of ALE coverage in a declared disaster, or until policy limits are reached. Renters' ALE policies are typically capped in the low tens-of-thousands of dollars range, yet tenants report months-long delays to receive each ALE payment as they struggle to secure safe temporary housing. As the wildfire survivors least able to financially withstand months of delay, renters need assurances they will get what they are owed promptly and without protracted disputes. We recommend requiring insurance companies pay displaced tenants the full policy amount on ALE or loss of use coverage up front after a declared disaster.

#4: Preserve the legal rights of survivors to hold responsible parties accountable.

This includes protecting survivors' right to contract with an attorney on their own terms and with no limits on recovery of damages; avoiding 'fast pay' options that prioritize speed over full compensation for survivors; and, maintaining the inverse condemnation standard that requires utilities to pay when their equipment causes disasters.

In exchange for their monopoly on generating and distributing energy to Californians, the state constitution assigns responsibilities to utilities under the principle of "inverse condemnation." The three major investor-owned utilities have the right to seize property to provide energy. But in exchange, the utilities are held responsible and must pay for any damage arising from their equipment, actions or inactions.

The application of inverse condemnation is important because it holds utilities automatically responsible for the multi-billion-dollar tab run up by their negligence.

The principle is sound: if companies put equipment in your yard, they should be responsible if it catches on fire due to their negligence.

Inverse condemnation is a court-created doctrine that is the “inverse” of eminent domain. In eminent domain, the government initiates action to take property. In inverse condemnation, the property owner initiates action because their property was damaged by the public project on their land.

Require utility shareholders, not the Wildfire Fund, to pay if the utility did not meet the highest standard of care.

The utilities’ responsibility under the doctrine of “inverse condemnation” has in practice been significantly narrowed by the courts and legislature, despite a rash of California wildfires caused by utilities’ negligence.

Pacific Gas & Electric (PG&E) equipment ignited a dozen wildfires in 2017, Cal Fire has determined, and the utility violated state safety codes in eight of those fires by failing to clear brush around its lines and failing to maintain its equipment. Edison was found responsible for the Thomas and Woolsey Fires, and faces responsibility for the Eaton fire, where its “ghost equipment” and a failure to de-power a high voltage line, despite conditions that warranted it, caused the largest urban wildfire in California history.

Instead of doubling down on safety upgrades, the three major utilities spent \$4.5 million lobbying in the Capitol in 2018 to foist off the costs of wildfires onto victims and California ratepayers, based on their filings with the California Secretary of State.

The result, SB 901, while preserving the doctrine of “inverse condemnation,” socialized the costs of wildfire while continuing to allow companies to privatize their gains, even when they caused fires, such as Edison’s conduct in the Eaton fire. It created the rules by which utilities could access a wildfire fund to pay wildfire costs, a fund whose costs were paid in part by ratepayers and in part by shareholders.

SB 901 granted the Public Utilities Commission (PUC) the right to approve utility wildfire prevention and mitigation plans. Provided the PUC determines utilities followed their plans, the utility can pass all costs through to the fund.

Edison is the poster child for the failure of this approach. “Ghost lines” are lines that are not in use and abandoned, but not removed. As far back as 2001 regulators proposed eliminating “ghost lines,” like the one that likely started the Eaton fire. Edison lobbied for a change in the regulations so that it could keep them up until they declared them “permanently abandoned.” Because Edison claims to have followed this regulation, it can access the wildfire fund, despite its negligence in not shutting down the high voltage line in conditions that warranted it, and not taking down the

“ghost line,” that likely caused the fire. Shareholders need to pay under such circumstances.

Edison, however, can rely on its “safety certification” from the PUC. While the PUC must later determine if the costs are “just and reasonable,” as a revolving door for the utilities with a long sad history of regulatory capture, the PUC cannot be relied on to side with ratepayers.²⁰

While utilities continue to advocate for an end to inverse condemnation, they and their shareholders need to be more accountable, not less accountable.

We recommend establishing a negligence standard for when utilities’ shareholders need to pay, rather than the fund, that is applied by the courts in the County where the fire occurred, not the Public Utilities Commission. Superior Courts are currently barred from reviewing PUC decisions, creating a situation where utilities have no judicial accountability to the people whose homes their negligence may have burned down.

Utility bills can be reduced without eliminating ratepayers’ right to recover under inverse condemnation.

Utilities’ shareholders continue to do extraordinary well. They are guaranteed a rate of return.

As one measure, former SEMPRA executive Mark Ellis argues that investor-owned utilities should have an allowed return on equity (ROE) equal to their true cost of capital. He demonstrates that the real cost of equity for utilities today is roughly 6%, far below the 9–11% returns granted by regulators. Excess returns violate the “just and reasonable” standard by forcing customers to overpay while delivering windfall profits to shareholders. Ellis estimates that lowering the cost of capital requirement from 10% to 6.5% could save California ratepayers \$6 billion annually.²¹ To put this in context, utilities’ total payout in the 2017-2018 fires for subrogation to insurance companies was just over \$14 billion.

Preserving and expanding utility accountability is the way to deal with wildfires. Otherwise, utilities will have less incentive not to start fires.

²⁰ Liza Tucker, “Brown’s Dirty Hands.” *Consumer Watchdog*, August 2016,

<https://consumerwatchdog.org/reports/browns-dirty-hands/>

George Avalos, “PUC Critics Cite Concerns Over ‘Revolving Door.’” *The Mercury News*, March 2015,

<https://www.mercurynews.com/2015/03/21/puc-critics-cite-concerns-over-revolving-door/>

²¹ Mark Ellis, “Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities from Overcharging the Public.” *American Economic Liberties Project*, Jan. 2025, <https://www.economicliberties.us/wp-content/uploads/2025/01/20250102-aelp-ror-v5.pdf>

If money is really the issue, the ROE can be lowered and given back to ratepayers or diverted to the wildfire fund. Changing inverse condemnation laws is unjust and sends the wrong message to utilities that have already had their burdens lessened since 2019.

Thank you for considering our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Carmen Balber", with a long horizontal flourish extending to the right.

Carmen Balber
Executive Director
Consumer Watchdog
6330 San Vicente Blvd, Ste 250
Los Angeles, CA 90048
310-526-0746
carmen@consumerwatchdog.org