



November 3, 2025

Email: CEA SB254Input@calquake.com

Subject: Responding to Natural Catastrophes – New Models and Approaches

Dear California Earthquake Authority and Policymakers,

The American Property Casualty Insurance Association (APCIA)¹, Pacific Association of Domestic Insurance Companies (PADIC)², and the Reinsurance Association of America (RAA)³, the “trades”, appreciate the opportunity to provide recommendations in response to the nine key issues outlined in the CEA’s call for contributions, for the study under SB-254.

Our industry is dedicated to advancing California’s resilience to wildfires and other natural catastrophes, while safeguarding the long-term accessibility and affordability of property insurance for all Californians. Achieving these goals requires coordinated action by electric utilities, property owners, and communities to prevent wildfires and mitigate losses. For utilities, this means adopting and implementing robust infrastructure hardening and land management standards, leveraging all available preventive, mitigation, and predictive technologies and best practices, and maintaining a strong commitment to ongoing maintenance, repair, and replacement of infrastructure to reduce risk and enhance safety. For communities, it involves establishing and maintaining defensible space, promoting fire-resistant construction, and implementing community risk reduction programs—supported by enforcement measures such as Zone 0 regulations and targeted incentives in fire-prone areas.

Insurers oppose liability shields for utilities but may support limited reforms—such as caps on non-economic and punitive damages (when appropriate), expedited claims handling, and robust

¹ APCIA is the property casualty industry’s most diverse trade association and represents over 1,200 individual insurance companies representing over 315 groups. Our members write \$676 billion in direct written premium and assumed reinsurance premium, which translates into nearly 66 percent of the overall property casualty insurance marketplace in the United States.

² PADIC is an organization of small to mid-sized California domestic property and casualty insurance companies.

³ RAA, headquartered in Washington, D.C., is the leading trade association of property and casualty reinsurers doing business in the United States. The RAA is committed to promoting a regulatory environment that ensures the industry remains globally competitive and financially robust. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA represents its members before state, federal and international bodies.

mitigation requirements—as part of broader risk-sharing frameworks. We believe that meaningful risk reduction, fair compensation mechanisms, and regulatory modernization are essential to a sustainable insurance market and a safer, more resilient California.

We respectfully offer the following solutions for your consideration, in response to your call to explore new models for equitably socializing risk—balancing the state’s goals of providing safe, affordable, and reliable energy, advancing climate objectives, stabilizing insurance markets to protect access and affordability, mitigating the incidence and impact of wildfires and other disasters, and ensuring swift and fair compensation for those harmed (PUC § 917(p)).

Accessibility and Affordability of Property Insurance

Solutions:

- **Mitigation:** Expand enforcement mechanisms (e.g., Zone 0 regulations) and financial incentives (e.g., grants, low-interest loans, waived/reduced fees, tax credits) for building and retrofitting to IBHS Wildfire Prepared Home standards. These measures directly reduce risk and help stabilize insurance markets.
- **Regulatory Reform:** Support the reforms under the California Department of Insurance’ Sustainable Insurance Strategy, to streamline rate approvals, reduce regulatory barriers that limit insurers’ ability to manage risk and offer coverage, and depopulate the FAIR Plan, ensuring long-term financial stability and greater consumer choice.
- **Risk-Based Pricing:** Allow insurers to price risk commensurate with actual exposure, providing a critical signal for where mitigation is needed and incentivizing risk reduction.

Additional Mitigation Measures and Technology Solutions

Solutions:

- **Wildfire Mitigation Plan (WMP) Standards:** The trades support continuous improvements related to joint responsibility between the state and utilities for developing and implementing comprehensive Wildfire Mitigation Plans. These plans must be robust, and the trades believe the following areas should continue to be strengthened, particularly as the collective knowledge base and technology improves:
 - **Vegetation Management Protocols:** Regular patrols, hazard tree identification, pruning, and removal, with clear standards and timelines.
 - **Equipment Inspections and Upgrades:** Frequent inspections, prompt removal of unused equipment, and accelerated schedules for upgrading aging infrastructure.
 - **Water Supply for Firefighting:** Ensure adequate water sources are available and accessible to support firefighting efforts in high-risk areas.
 - **Accountability and Enforcement:** Require timely submission and adherence to mitigation plans, with meaningful penalties for non-compliance and reasonable limits on liability for utilities that fully comply with protocols.
- **Technology:** Leverage artificial intelligence and other advanced technologies to enhance wildfire prevention and mitigation, including early identification of problematic electrical equipment, real-time detection of hazardous weather conditions, and early wildfire detection using cameras, heat mapping, and other sensor-based systems.
- **Communitywide Hardening:** Mandate defensible space, fire-resistant construction, and community risk reduction programs, with strong enforcement and incentives. Incentive options may include:
 - **Grants** - May include cost-share or public-private partnership models.
 - **Low-interest loans** - Establish a revolving fund that helps provide low interest loans for resilience projects. Alternatively, incentivize funding for mitigation into mortgage costs, to spread over 20-30 years, via points or better rates on new mortgages or through home equity lines of credit (HELOC).

- **Waived/reduced fees** – Offer for mitigation-compliant properties (e.g., provide a rebate, waive, or reduce building permit fees or the cost of designation program inspections, for properties that achieve a qualified resilience designation (e.g., IBHS Wildfire Prepared Home or Wildfire Prepared Neighborhood).
- **Tax incentives** - Offer for homeowners, builders, and financial institutions supporting resilience upgrades. For example, tax credits, such as income tax credits for costs to retrofit homes or businesses, sales tax credits for materials purchased to retrofit, or property tax credits for properties that achieve and/or maintain a resilience designation (e.g., IBHS Wildfire Prepared Home or Wildfire Prepared Neighborhood).

Tax credits could similarly be offered to builders that construct or retrofit homes to IBHS Wildfire Prepared standards, and financial institutions that offer preferential rates or reduced loan points for borrower committing to resilience upgrades (e.g., IBHS Wildfire Prepared Home), offer resilience-linked mortgage products where completed retrofitting actions reduce interest rates, and/or establish revolving loan funds or green mortgage programs that integrate resilience criteria into underwriting standards.
- **Catastrophe savings accounts** – To cover pre- and post-disaster expenses.
- **State and Local Coordination:** Enhance state and local catastrophic event response capabilities and integrate utility, fire, and emergency management planning.
- **WUI Data Commons:** Establish a shared wildfire urban interface (WUI) data commons to help various stakeholders engaged in risk measurement and/or risk reduction (e.g., academic researchers, fire practitioners, risk modelers, insurers, utilities, financial institutions, wildfire mitigation contractors, communities, and government entities) to collect, access, incorporate and utilize these data within an adaptive framework.

Financing, Insurance, and Recovery Mechanisms

Solutions:

- **Three-Prong Consumer Approach:**
 - **Mitigation:** Reduce the likelihood or severity of loss, potentially avoiding insurance claims.
 - **Catastrophe Deductibles:** Allow consumers to opt for higher wildfire catastrophe deductibles to lower premiums (requires amendment to the Standard Fire Policy to define wildfire).
 - **Catastrophe Savings Accounts:** Enable pre-tax contributions to savings accounts for qualified mitigation and recovery expenses.

Measures to Benefit Ratepayers and Hold Utilities Accountable

Solutions:

- **Performance-Based Regulation:** Continue the state's work to tie utility cost recovery and rate adjustments to measurable safety and mitigation outcomes.
- **Transparency and Accountability:** Continue to build on and strengthen requirements related to public reporting on utility mitigation investments, wildfire risk, and claims paid.
- **Limit Cost Shifting:** Ensure reforms do not unfairly shift liability or costs from utilities to insurers or ratepayers..

Streamlined, Low-Cost Compensation Mechanisms

Solutions:

- **Claims Mediation Programs:** Study and consider implementing mediation or alternative dispute resolution (ADR) for wildfire property claims to expedite resolution and reduce litigation costs.

Reasonable Limitations on Changes to Recoveries in Wildfire Litigation

Solutions:

- **Caps on Non-Economic and Punitive Damages:** Support statutory caps on non-economic and punitive damages for utility-ignited wildfire claims, except in cases of gross negligence, reckless, or intentional behavior. However, insurers strongly oppose actions that undermine or limit insurer subrogation rights or consumer recovery for economic damages.
- **Balanced Litigation Reform:** Consideration should be given to legal procedures or other processes that could be restructured to facilitate improved claims processes. Additionally, collaboration with scientific experts is essential to define acceptable thresholds for hazardous substances and clear, science-based standards for when smoke, ash, soot, or char deposition constitutes property damage to facilitate consistent claims evaluation, accurate risk pricing, and help prevent fraudulent claims. However, any proposed solutions must be carefully evaluated to avoid unintended consequences for impacted homeowners, businesses, and insurers.

Reducing Economic Damage from Wildfires and Other Disasters

Solutions:

- **Catastrophe Bond Financing for Mitigation:** Include provisions in catastrophe bonds (e.g., those used by FAIR Plan, CEA, utilities) that direct a portion of investor profits (when bonds are not triggered) toward funding resilience upgrades, as successfully implemented by the North Carolina Insurance Underwriting Association (NCIUA).
- **Land Use Planning and Code Enforcement:** Strengthen land use policies to discourage development in high-risk zones without appropriate mitigation measures and expand state and local enforcement of wildfire codes and defensible space.
- **Land Management Practices:** Evaluate and implement best in class land management practices to prevent and help mitigate wildfires, including expanding controlled burns on public and private lands.

Alternative Structures to Socialize Risk / New Models to Complement or Replace the California Wildfire Fund

Solutions:

- **Tax-payer fees:** To ensure the solvency and long-term resilience of the CA Wildfire Fund (CWF), consider legislation to fund the CWF's reserves, in part, through a transparent tax-payer fee assessed on utility bills.
- **Caution on New Government Programs:** The trades recognize the value of exploring innovative funding mechanisms—such as taxpayer-funded reserves—to potentially help lower costs for utility bills. However, insurers generally oppose new or expanded government programs (e.g., residual markets, reinsurance backstops) that fail to address underlying market disruptions and may create moral hazard or concentrate risk. Policymakers should focus on addressing the root causes of rising costs—primarily through mitigation—rather than shifting or masking risk.
- **Continuous Improvement:** Regularly review and update fund structures to ensure durability, solvency, and responsiveness to emerging risks.

Conclusion

California's insurance market and energy infrastructure face unprecedented challenges from climate-driven catastrophes. Insurers are committed to being part of the solution—supporting robust mitigation, fair and efficient compensation, and regulatory modernization. We urge policymakers to reject broad liability shields for utilities, and instead pursue balanced reforms that promote shared responsibility, risk reduction, and long-term market stability.

Thank you for your consideration of these recommendations. We look forward to continued collaboration to build a safer, more resilient California.

Respectfully submitted,



Denneile Ritter
Vice President, State Government Relations
American Property Casualty Insurance Association
209.968.9107
denneile.ritter@apci.org



Stacey Jackson
Executive Director
Pacific Association of Domestic Insurance Companies
209.993.5365
Padic.ca@gmail.com



Jeremy Eisemann, Esq., CPCU
Vice President, State Government Affairs & Assistant General Counsel
Reinsurance Association of America
202.783.8315
eisemann@reinsurance.org