

Fire Insurance Part 4: No Easy Solutions

By ALISON BURNS

Staff Writer

alisonjburns@gmail.com

So where do we go from here? Is Insurance Commissioner Ricardo Lara going to pull a rabbit out of a hat this December just like he's been promising for the last 15 months? And will his much-hyped Sustainable Insurance Strategy really solve all of Orinda's fire insurance problems?

The California Department of Insurance (CDI) has called Lara's new plan "ambitious" and indeed it is, given that the Insurance Commissioner is allowing mere months to fix a crisis, the seeds of which were sown 36 years ago when the Insurance Rate Reduction and Reform Act, aka Prop 103, was passed.

The Act's well-intentioned clauses sought to involve consumer participation in setting insurance rates, convert the Insurance Commissioner's role from governor-appointed to elected official and make all rate changes over 7% subject to an intervention process.

This last item, which worked well enough in theory, turned out to be an extraordinarily complicated procedure that could take up to two years to finalize, with no guarantee of success, resulting in insurance companies' hesitation to raise rates to market levels. The provision was successful in one way – the Consumer Federation reported in 2013 that Prop 103 had saved consumers over \$100 billion in the intervening 25 years.

Commissioner's Transformative Plan

Lara's "transformative" plan (and it is undeniably his – every press release the CDI issues emphasizes the possessive pronoun) states insurance companies will be allowed to use forward-looking catastrophe models "if – and only if" they increase the writing of policies in at least 85% of properties in wildfire distressed areas.

The plan also states, "Smaller companies, new entrants, and companies that largely write outside of wildfire risk areas and cannot meet the 85% requirement, will need to expand their writings by at least 5%." Promising he was "addressing this crisis of insurance availability head-on," Lara's plan purports to build on his "first-in-the-nation Safer from Wildfires regulation by requiring insurance companies to take into account wildfire mitigation efforts at the individual property, community and regional level."

Orinda's Wildfire Mitigation Efforts

Have No Effect on Insurance Policies Orinda is already working very hard in all these three areas. But so far there is little evidence that insurance companies seriously take people's wildfire mitigation efforts into consideration. The letters' pages in local newspapers, and posts on sites like Nextdoor, contain endless accounts of people complaining they have spent thousands of dollars to comply with what has been asked of them in hardening their homes, only to be met with blank obduracy from their insurance companies.

This was the basis of the first question on State Senator Steve Glazer’s “Table Talk” podcast with Lara on June 10, when “Pam from Orinda” called in to say that although her house has a new roof, double pane windows and she has never missed a payment or made a claim, she finds herself “in the non-renewed half.” Moreover, she has been told that she “is not entitled to appeal the non-renewal.”

Lara gave Pam his sympathy and a 1-800 number to call.

“Orinda is a leader,” said Lara. “And this is where I get frustrated because Orinda has so many Firewise communities. I’ve toured those communities myself, really working with neighbors to bring that risk down.”

The Moraga-Orinda Fire District (MOFD) does indeed have a large number of Firewise communities, under the leadership of Orinda resident Marc Evans. The Moraga-Orinda Firewise Network (MOFN, formerly known as Firewise) currently comprises 36 neighborhoods representing 4,228 dwelling units, and the numbers continue to grow.

Mayor Gee’s Appeal to Representatives

With so many hundreds of people fully aware of their responsibility toward the safety of their neighbors, Mayor Darlene Gee felt amply justified in pointing out to Governor Newsom, Insurance Commissioner Lara, State Senator Glazer and Assembly Member Bauer-Kahan, that “although all these collective efforts are starting to pay dividends, they are not being factored into insurance coverage.”

In her April 2 letter, Gee went on to remind her recipients that they need to reconsider “this one-size-fits-all approach, that has proactive communities being impacted on the same level as those who are not taking steps to reduce risk.”

Since responses to Gee’s letter ran the gamut from poor to non-existent, Jorge Escobar, leader of MOFN’s Home Insurance Subcommittee and co-leader of a Firewise Neighborhood in Orinda, plans (as we go to press) to send a follow-up letter to California’s Governor, Legislature and Insurance Commissioner, asking them to “immediately and jointly” inform citizens of their top priorities, specific undertakings, and deadlines to address the home insurance crisis before year-end.

A Local Insurance Agent Weighs In

An insurance agent, who requested anonymity, stated that even if the Sustainable Insurance Strategy is launched by December 2024, it will be a “long time” until all the insurance companies’ attorneys have studied and approved it.

In fact, this agent doubts the strategy will be functional much before 2027. Which, coincidentally, is when a new California Insurance Commissioner will be elected.

Until that point is reached, the agent believes no matter how much mitigation Orinda achieves, it will not bring the big insurance companies back to California until the terms are right and they can raise their rates to market levels.

A Controversial Plan by Dr. John Radke

So what else can we do? And **can we really make Orinda fireproof?**

One Orindan thinks he can.

In May 2022, on the recommendation of the Supplemental Sales Tax Oversight Commission (SSTOC), Dr. John Radke, U.C. Berkeley professor emeritus of City & Regional Planning, Landscape Architecture & Environmental Planning and Urban Design, submitted a 29-page “Strategic wildfire planning process for Orinda transitioning from basic through adaptive to transformative wildfire resilience in Orinda.”

Radke is a man who knows fire – **he even worked as a firefighter in Spain**, chosen because Spain apparently has the highest number of arson outbreaks in the world. **He maintained that his plan** would “deliver a dynamic system that monitors models and assesses neighborhood risk and thus individual stakeholder property risk of wildfire.”

Radke initially broke Orinda down into three fire risk areas, which Radke refers to as fire sheds. One was between Scenic and Estates, a second between Valley View Drive and Crestview and the third near Tiger Tail Court. The cost mitigation estimates were made not via computer, but through a “boots-on-the-ground examination” from a fuel mitigation expert.

Longtime Orinda resident, **Steve Cohn**, who introduced his neighbor Radke to the SSTOC, believes the plan could work once the approximately 100 fire gullies have been defined. **He has studied the proposal extensively and estimates** it would cost around \$12 million to clear up the common areas of these fire sheds and another \$2 million a year to maintain them.

Radke’s proposal was considered by the SSTOC, which recommended entering into a contract with Radke along the lines of the proposal at a cost of \$598,196. **The City Council studied the plans**, with former Mayor Dennis Fay submitting a number of written questions as a follow-up.

Ultimately, it was decided that the proposal had too many unknowns and the City could not afford – in terms of property, lives or budget – to take the chance on an unproven academic theory. **It would have very much depended on residents clearing out their property** at the start, and then continuously clearing it year after year at their own expense.

In any case, **California is currently funding a program similar to Radke’s**, but taking it further in that it maps not only residential, but also open spaces, which many believe are more dangerous since a fast-spreading wildfire is more likely to start in an open space than at a residence.

Cohn remains unconvinced. “If this had been done,” he said, “State Farm probably would not have canceled 1,700 policies, as Orinda’s wildfire risk would not have been the worst in the Bay Area.”

Despite speculation, there is no evidence that the adoption of this proposal would have changed anything in regard to the crisis in Orinda. As stated earlier, insurance companies are not currently considering wildfire mitigation efforts into their policy strategies.

One factor some have cited for the large number of cancellations and non-renewals is the high cost of homes in the city, which would be extremely expensive to replace in the event of a catastrophic wildfire.

Meanwhile, our State Senator and three-time mayor, Steve Glazer, conveyed this message: “Orinda residents are living through challenging times with the fire season upon us, and the insurance industry is in a state of crisis. I have been in regular conversation with the state insurance department as they work to ensure people of Orinda and the region can have access to affordable coverage. As a resident of Orinda, I’m intimately aware of what we’re all going through.”