



December 20, 2023

California Insurance Commissioner  
Ricardo Lara,  
300 Capital Mall, 17th Floor.  
Sacramento, CA 95814

RE: Agent & Broker Alert California's Sustainable Insurance Strategy  
Dated Nov 14, 2023, and Dec 20, 2023

Mr. Lara,

I have read your last two agency alerts with increasing disappointment and concern for the future of California's insurance industry. As you know, I have written several letters and a white paper in the previous three years on what is necessary to fix our insurance crisis and have included your office, but there has been no interest.

Although there are many factors at play in today's insurance crisis, among them in no particular order, climate change, inflation, undervalued insurance by property owners, Invasive animals and plants, the wildland-urban interface landscape, failure to manage our forests adequately, and the California Department of Insurance continual interference and overreach in changing insurance policy language to suit their political agenda.

What is the takeaway from these last two agent alerts?

- The insurance market is compromised solely of homeowners and business owners, and not insurance carriers, agents, or brokers.
- Your strategy is based on a thorough assessment of today's insurance landscape with zero input from insurance carriers, brokers, and agents.
- Insurance carriers, despite being non-entities in the market, are being asked to write 85% of properties in high-risk areas designated explicitly as bad risks. (Admitted)
- In exchange for these concessions, California developed the "Safer from Wildfires" Regulation, which involves significant expenses for very little in return while not changing the risk to the private insurance industry.
- The FAIR Plan will write \$20M per structure despite the undervaluation this creates and further destabilizes the financial stability of The FAIR Plan member carriers more than ever today.
- The FAIR Plan has grown 20% in high-risk wildfire areas
- The sole cause of increased losses due to wildfires in California is global warming and natural disasters.

What exactly is the Sustainable Insurance Strategy? According to the agent alerts, it is a comprehensive initiative aimed at modernizing the state's insurance market to ensure accessible insurance for all Californians, create a resilient insurance marketplace, and protect consumers and communities from the adverse impacts of climate change. It addresses the challenges posed by rising global inflation, increased insurance costs for rebuilding, and the growing risk of *natural* disasters.



It should be noted that our current insurance crisis in California was not born out of natural disasters. A natural disaster is an occurrence generated by the effects of natural birth rather than human-caused disasters. Wildfires specifically. Human-caused wildfires are significantly more common than natural causes. Human involvement triggers 85% to 90% of wildfires. According to the U.S. Forest Service Analysis, 86% of fires in California between 1992 and 2020 were caused by humans. Cal Fire Officials place human-caused fires slightly higher at 95%. Human-caused fires result from campfires left unattended, the burning of debris, equipment use, and malfunctions, negligently discarded cigarettes, faulty electrical equipment, and intentional acts of arson.<sup>1</sup>

Cal Ag states that 95% of Farm Fires are from human activity, including careless smoking, faulty electrical equipment, faulty heating equipment, and improper storage or use of flammable liquids. Open burning for crop management & trash removal.<sup>2</sup>

An astonishing 80-95% percent are caused by human carelessness or intentional acts, which the Sustainable Insurance Strategy does not address.

According to your testimony on December 13, 2023, you stated that you are “clear that increasing availability of insurance is how we will protect affordability. We need to focus on getting insurance companies back to writing policies in California and to a point where they compete for your business.”

The only way to accomplish this is to amend the Standard Fire wording to allow insurance carriers to treat “wildfire” as the catastrophe peril that it is and “other than wildfire” as a standard peril.

Our inability to separate the peril of wildfire from the peril of fire is the issue. Forcing all carriers that write the peril of fire in the State of California, admitted markets as well as non-admitted markets to provide coverage for wildfire, including any catastrophe peril following a fire, such as a flood and earth movement which goes beyond the single policy term in which the event actually occurred. If flood and landslides can be traced to a prior fire, the new carrier has a much higher risk than ever anticipated under the most affordable of all perils: fire. It is not sustainable.

Over the last three years, I have had several discussions on this subject with leaders in the insurance marketplace, including the DOI. The issue is the perception that our leaders do not want to ‘appear’ to take away from the insurance consumer; however, you cannot stabilize the current insurance market without starting with the California Standard Fire policy wording.

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<sup>1</sup> Aug 24 2023 Climate by Kate Murphy and Erin Davis; <https://www.axios.com/local/san-diego/2023/08/24/california-wildfires-human-caused>; US Forestry; <https://www.fs.usda.gov/rds/archive/catalog/RDS-2013-0009.6> CalFire; <https://www.fire.ca.gov/>

<sup>2</sup> AG American; September 24, 2020, Combatting Effects on Wildfires on California Ag <https://agamerica.com/blog/impacts-of-california-wildfires-on-ag/#:~:text=Potential%20Farmstead%20Fire%20Hazards,sparking%20or%20fueling%20a%20wildfire.>



In the Dec 2023 Agent Alert, you state there is no question that the risks that existed when voters passed Proposition 103 are not the same risks we face today. The insurance market we are dealing with today necessitates urgent measures that even the Governor recognizes. It is clear that insurance reforms are long overdue, and the current system does not address the insurance challenges of today.

I cannot agree more, and just like Prop 103 in 1988, there is no question that the risks that existed when California adopted the Standard Fire Policy have changed. The Standard Fire Policy, also known as the Standard Fire Form and the 165-line endorsement, originated in 1873 when Massachusetts became the first state to introduce a standard fire insurance scheme. In 1886, New York passed similar legislation. The standard fire policy was revised in 1918 and then in 1943. A broadened 1943 New York Model Fire Policy is still used in California today.

If you are dedicated to serious reform, It must involve amending the California Standard Fire Policy to allow an exception to the peril of fire along the lines of the following:

### **ARTICLE 3. California Standard Form Fire Insurance Policy [2070 - 2085]**

#### **CURRENT: 2070.**

All fire policies on subject matter in California shall be on the standard form, and, except as provided by this article shall not contain additions thereto. No part of the standard form shall be omitted therefrom except that any policy providing coverage against the peril of fire only, or in combination with coverage against other perils, need not comply with the provisions of the standard form of fire insurance policy or Section 2080; provided, that coverage with respect to the peril of fire, when viewed in its entirety, is substantially equivalent to or more favorable to the insured than that contained in such standard form fire insurance policy.

#### **PROPOSED CHANGE: 2070.**

All fire policies on subject matter in California shall be on the standard form, and, except as provided by this article shall not contain additions thereto. No part of the standard form shall be omitted therefrom except that any policy providing coverage against the peril of fire only, or in combination with coverage against other perils, need not comply with the provisions of the standard form of fire insurance policy or Section 2080; provided, that coverage with respect to the peril of fire, when viewed in its entirety, is substantially equivalent to or more favorable to the insured than that contained in such standard form fire insurance policy **with the exception of the catastrophe single peril of wildfire**

**Wildfire** is defined as any wildfire, wildland fire, forest fire, brush fire, vegetation fire, grass fire, peat fire, bushfire, hill fire, desert fire, veldfire, escaped prescribed fire, escaped wildland fire or any other uncontrolled or unplanned fire, which may (but not required to) also consume houses, buildings or other structures and agricultural resources. A rapidly spreading fire, that is difficult to bring under control, whether controlled or uncontrolled, in an area of combustible vegetation (such as trees, grass, brush, or bush) causing property damage, wherever located and of any type and kind, regardless of the original source of ignition of the fire.

"**Wildfire**" includes all risks associated with or resulting from such fire(s), such as smoke, heat, soot, or fumes.



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I hope you can reconsider a bill to make this amendment. Please feel free to call me at my cell: 818-913-1497; Office 805-646-0821

Respectfully Submitted

*Donna M Meyer*

Donna M. Meyer  
President  
DMM Management & Insurance Services, Inc.