



NEVADA COUNTY BOARD OF SUPERVISORS
Board Agenda Memo

MEETING DATE: May 26, 2020
TO: Board of Supervisors
FROM: Supervisor Ed Scofield
SUBJECT: Letter of Support for AB 3012 (Wood and Daly): Residential Property Insurance

RECOMMENDATION: Approve the Letter of Support and authorize the Chair to sign and submit the attached Letter of Support

FUNDING: N/A

BACKGROUND: In October 2017, Nevada County experienced simultaneous fires in the middle of the night that resulted in devastating impacts that included 30 homes destroyed and 897 acres burned. In addition 2017 proved to be one of the worst fire seasons in California history with over 1.5 million acres burned and thousands of structures destroyed statewide. Only a short time later in 2018 the Camp Fire tore through Butte County as one of the deadliest wildfires in CA history with 85 lives lost and 18,804 structures destroyed.

Due to the severity of these and other wildfires, insurance companies across the state are redefining wildfire risk which was once considered “attritional” as “catastrophic” a similar designation to hurricanes and floods. To provide context to the severity of risks presented to insurers, wildfires in 2017 alone required that a 16 year savings of \$12.1 billion in underwriting profits be spent in a single year. Insurance companies are at serious risk of becoming insolvent like Merced Property and Casualty Co. did after the Camp Fire with \$64 million in claims. Subsequently, many insurance companies are declining to renew homeowners’ policies and are pulling out of the Wild Urban Interface (WUI) areas of the state that are identified as elevated or extreme high-fire danger areas. These areas are also referred to as Tier 2 and Tier 3 areas, respectively. Staff estimates that out of Nevada County’s 47,283 improved parcels 21,284 and 14,775 are in Tier 2 and Tier 3 areas. This means that approximately 76% of all improved parcels within the County are in areas at jeopardy of losing or receiving high insurance premium hikes.

Nevada County knows firsthand a) the threats of wildfire, b) the challenge of recovering from a wildfire, and c) the crisis of the availability and affordability of homeowner’s insurance. As such, AB 3012 (Wood and Daly) provides important consumer protections for post-disaster recovery, increases requirements in the Insurance Non-Renewal Process area and creates needed requirements for the CA FAIR Plan. These include but are not limited

to: 1) Requiring an insurer to provide a payment for contents of no less than 30% of a given policy limit without requiring an itemized claim; 2) Prohibit policies that provide coverage for living expenses from limiting the policyholder's right to recovery if the insured home is not inhabitable or otherwise usable; 3) Allows for damage compensation to be used to rebuild or replace a home at another location in the amount that would have been recoverable had the lost dwelling been rebuilt, without deduction for the value of land at the new location; and 4) Require a nonrenewal notice to be accompanied by documents that include information on the CA Fair Plan while requiring the Plan to develop and implement a clearinghouse program to help reduce the number of existing plan policies helping insurers get back into the regular market.

On May 7, 2020 I provided testimony in support of AB 3012 to the California Assembly Insurance Committee, which unanimously passed 13-0. The Bill is also supported by the Rural County Representatives of California (RCRC) and the CA FAIR Plan. While the bill does not address some of the major issues related to the availability of home owner's insurance expressed by this Board previously, it does increase insurance protections for homeowners after a declared disaster and during recovery efforts. AB 3012 strikes a reasonable balance between prioritizing consumer protections and recognizing the genuine concerns over the extreme risks faced by the insurance industry. If passed, AB 3012 will help Nevada County residents' recover quicker from wildfire events and obtain insurance coverage easier. Therefore, I urge the Board to approve and authorize the Chair to sign and submit the attached Letter of Support.

Sincerely,

Ed Scofield
District II Supervisor