



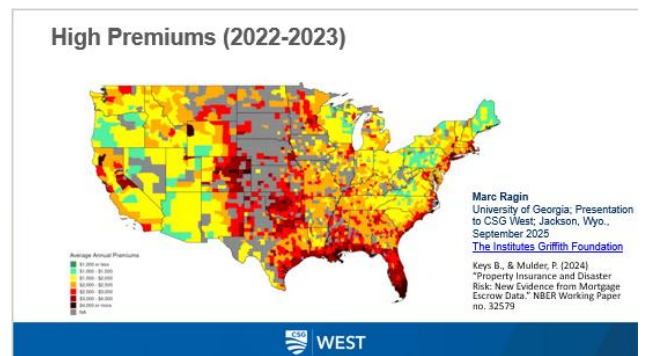
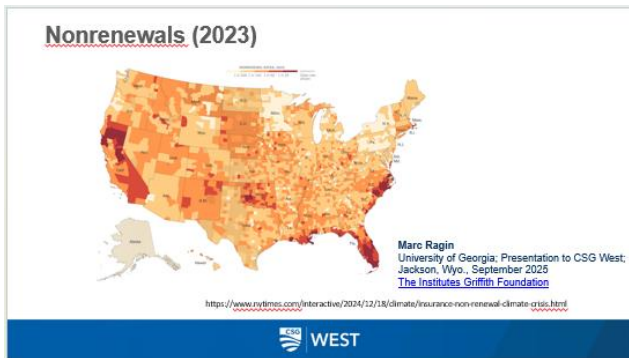
## Wildfires & Disaster Preparedness Committee

# Wildfire Insurance






- Analysis of legislation based on options developed by Headwaters Economics.   
Wildfire and Insurance: [Options for Homeowner Coverage](#)


## The Issue

Catastrophic wildfire is making it hard for homeowners and others to get insurance in fire prone areas. And if they can get insurance, it is getting increasingly more expensive.



# The Options


Approaches		Goals			
		Retain coverage in high-risk areas	Potential to reduce premiums	Fill coverage gaps for underinsured	Incentivize mitigation of risk
	Voluntary certification	X	X		X
	Community-based catastrophe insurance	X		X	X
	Parametric models			X	
	FAIR state plans	X		X	
	State regulatory reform	X	X	X	X

 • Wildfire and Insurance: [Options for Homeowner Coverage](#)

## Voluntary certification programs and wildfire insurance incentives

### Key Takeaways:

- Many states are moving to require or incentivize insurers to recognize wildfire mitigation actions—such as home hardening, defensible space, and participation in

 **Voluntary certification**  
Initiatives that assess and then certify properties or neighborhoods based on their preparedness for wildfire risks.

**01 VOLUNTARY CERTIFICATION**

**How It Works**  
Programs like IBHS Wildfire Prepared Home and Firewise USA certify homes that meet fire-resistance standards.

**Insurance Impact**  
Certificates can lead to premium discounts or a reversal of policy denials.

**Limitations**  
Discounts are typically 1% or less. High retrofit costs favor wealthier homeowners. Nevada's Firewise USA participation is limited.

community programs (like Firewise USA® or IBHS Wildfire Prepared Home)—when setting insurance rates or determining eligibility.

- Legislation often mandates that insurers provide premium discounts, retain coverage, or offer other benefits to property owners who complete certified wildfire risk reduction measures.
- Some bills establish grant programs to help homeowners and communities afford mitigation improvements, especially in high-risk or vulnerable areas.
- Transparency requirements are increasing insurers must disclose how wildfire risk models are used, what mitigation actions qualify for discounts, and provide clear processes for appealing risk scores.
- States are investing in public wildfire catastrophe models and research centers to improve risk assessment and support equitable insurance access.
- There is a trend toward aligning state wildfire mitigation strategies with insurance market reforms to stabilize coverage availability and affordability.

#### **Cited Legislation:**

- **Colorado HB25-1182: Risk Model Use in Property Insurance Policies Enacted**
  - Requires insurers to account for property-specific and community-level wildfire mitigation actions in risk models or provide discounts if not incorporated. Mandates public disclosure of discounts and appeals processes.
- **California A.B.1: Residential property insurance: wildfire risk Enacted**
  - Mandates periodic review and update of regulations to include new home hardening and community mitigation measures, with public participation. Encourages use of noncombustible materials and aligns insurance practices with mitigation investments.
- **Oregon S.B.1540: Risk models and mitigation incentives Proposed**
  - Require insurers to submit wildfire risk model details, incorporate mitigation actions, and provide discounts or incentives for certified property/community efforts. Ensures transparency and appeal rights for policyholders.
- **Oregon S.B.85: Community-based wildfire risk mitigation Enacted**
  - Directs agencies to develop recommendations for community-level mitigation and insurance incentives, including defensible space and neighborhood collaboration.
- **California S.B.429: Wildfire Safety and Risk Mitigation Program Enacted**
  - Funds research and public modeling to inform insurance regulation and support equitable recovery, with a focus on vulnerable communities
- **Idaho H.619: Wildfire risk mitigation fund Proposed**
  - Creates a fund for grants and education to help property owners reduce wildfire risk and attract/retain insurers.

# Community-based catastrophe insurance

While there are not yet widespread, formal community-based catastrophe insurance programs in state law, other legislation shows a trend toward collective risk management, resource pooling, and community-driven resilience initiatives that could support such insurance models in the future.

## Key Takeaways:

- States are increasingly supporting community-level resilience through the creation of special districts, funding mechanisms, and planning requirements that help communities collectively prepare for and recover from disasters.

The infographic is divided into two main sections. The left section, titled 'Community-based catastrophe insurance', features a map of California and the text: 'A grassroots approach to risk management where a community collectively pools resources to provide financial protection or insurance against specific risks or emergencies.' Below this is the 'HEADWATERS ECONOMICS' logo. The right section, titled '02 COMMUNITY-BASED INSURANCE', contains three sub-sections: 'How It Works' (describing a local government or HOA as an 'aggregator'), 'Insurance Impact' (noting that collective mitigation efforts reduce pool costs), and 'Nevada Opportunity' (suggesting HOAs and municipal districts in WUI communities as potential pilots).

- Some legislation enables municipalities to form resiliency improvement districts, pool resources, and issue bonds for climate adaptation and disaster mitigation projects—laying groundwork for future community-based insurance models.
- Emergency services funding, peer support, and critical illness benefit pools for first responders are being established in some states, which are similar in spirit to community-based risk pooling.
- There is growing legislative interest in studying and piloting new models for disaster risk reduction, including insurance surcharges or funds that could evolve into community-based catastrophe insurance programs.

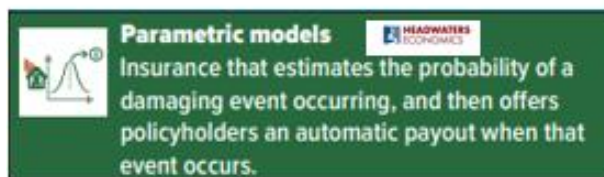
## Cited Legislation:

- **[California A.B.1236 \(2025\): Climate and Sustainability Insurance and Risk Reduction Grant Program Proposed](#)**
  - Supports innovative insurance solutions, including parametric and community-based insurance, to address climate risks and close protection gaps in vulnerable communities.

# Parametric insurance

## Key Takeaways:

- States are beginning to formally define and regulate parametric insurance, clarifying its use for weather-related and catastrophic events.
- Legislation often requires clear consumer disclosures, emphasizing that parametric insurance is not a substitute for traditional property or flood insurance and may not be accepted by lenders.



### 03 PARAMETRIC INSURANCE

**How It Works**  
Pays a preset cash amount automatically when a trigger (fire proximity, air quality, wind speed) is hit — no claims adjuster needed.

**"Financial First Responder"**  
Funds disbursed within hours or days — covers evacuation, shelter, lost wages during fire events.

**Limitation (Basis Risk)**  
Fixed payout may not match actual loss. Works best as a supplement to — not replacement of — traditional coverage.

- Regulatory frameworks are being established to ensure transparency, consumer protection, and actuarial soundness, including requirements for objective, verifiable triggers and annual reporting on policy performance and basis risk (the risk that payout does not match actual loss).
- Some states are piloting or studying the feasibility of parametric insurance for specific sectors, such as agriculture or disaster-prone communities, to provide rapid financial relief and support resilience.
- Voluntary guidelines and educational campaigns are being promoted to encourage adoption, especially in vulnerable sectors and populations.

## Cited Legislation:

- **[New York A.10344 \(2024\): Relates to parametric insurance Enacted](#)**
  - Defines and regulates parametric insurance for weather-related events, mandates consumer disclosures, and allows insurers licensed for fire insurance to write parametric policies.
- **[Maryland S.B.0095 \(2026\): Property and Casualty Insurance - Parametric Insurance - Regulation Enacted](#)**

- Establishes a regulatory framework for parametric insurance, requires clear disclosures, annual reporting, and authorizes pilot programs to expand access, especially for vulnerable groups.
- **Puerto Rico P.S.1055 (2026): Voluntary guidelines for parametric insurance against natural disasters Introduced**
  - Introduces voluntary guidelines for parametric insurance, promotes automatic payouts based on objective triggers, and emphasizes consumer protections and transparency.
- **Tennessee H.B.0767 (2021): Insurance Modernization Act Enacted**
  - Modernizes insurance law, allows captive insurance companies to provide parametric insurance, and reduces capital requirements for certain insurers.

## Fair Access to Insurance Requirements (FAIR) programs

Legislative efforts reflect a nationwide trend to ensure that FAIR Plans are a safety net for property owners facing insurance market challenges, while also modernizing operations, expanding coverage, and enhancing consumer protections.

### Key Takeaways:

- States are modernizing and expanding FAIR Plans to address growing insurance gaps, especially in high-risk areas (e.g., wildfire-prone regions).
- Legislation often clarifies the legal status, governance, and financial mechanisms of FAIR Plan Associations, ensuring they are not state agencies, but nonprofit entities supported by member insurers.

**FAIR state plans**  
Fair Access to Insurance Requirements (FAIR) programs are state-mandated insurance pools providing basic property coverage to homeowners and businesses unable to secure insurance in the private market due to high risk.

**04 FAIR PLANS**

**Nevada Has No FAIR Plan**  
Nevada is one of few states without a FAIR Plan. A.B. 437 (2025) proposed creating one — requiring 3 denials before eligibility + mandatory risk assessment.

**The California Warning**  
CA FAIR Plan faced \$250B in potential losses from 2025 LA fires with only \$377M on hand, triggering a \$1B assessment on private insurers — accelerating market exit.

**Key Design Principle**  
Considered a market of last resort — not a competitor to the private market.

- Consumer protections are being strengthened, including requirements for clear communication, payment flexibility, and annual notices about alternative insurance options.
- Some bills expand FAIR Plan coverage to include manufactured homes, mobile homes, and cannabis-related businesses, and address discrimination concerns.
- Financial tools such as bonds, loans, and lines of credit are being authorized to help FAIR Plans pay claims and maintain liquidity during catastrophe events.
- Policyholder rights and remedies are clarified, with limits on punitive damages and provisions for attorney fees in disputes.
- Transparency and oversight are increased, with requirements for public reporting and legislative participation in FAIR Plan governance.

#### **Cited Legislation:**

- **[Colorado HB25-1205: Implement Fair Access to Insurance Requirements Plans Enacted](#)**
  - Expands and clarifies the Colorado FAIR Plan Association’s structure, legal status, and policyholder rights.
- **[California AB 226: California FAIR Plan Association Enacted](#)**
  - Addresses the growing property insurance availability crisis in California, particularly in the context of increased wildfire risk and the expanding reliance on the California FAIR Plan Association (FAIR Plan) for basic property insurance coverage. The bill authorizes the FAIR Plan, with prior approval from the Insurance Commissioner, to request the California Infrastructure and Economic Development Bank (IBank) to issue bonds, enter into loan agreements, or secure lines of credit to finance claims, increase liquidity, and enhance its claims-paying capacity. The IBank is empowered to issue both taxable and tax-exempt bonds for these purposes, and the proceeds may be used for claims, reserves, capitalized interest, credit or liquidity
- **[Texas HB 2517: Relating to the applicability of premium and maintenance taxes to the Texas Windstorm Insurance Association and Texas FAIR Plan Association Enacted](#)**
  - Exempts the Texas FAIR Plan Association from certain state taxes, reducing its financial burden. This change is significant for organizations focused on insurance regulation and disaster risk management, as it potentially reduces the financial burden on these state-backed insurance associations, which are designed to provide coverage in high-risk areas where private insurers may be unwilling to operate.
- **[California SB 525: California FAIR Plan: manufactured homes Enacted](#)**

- Expands FAIR Plan coverage to manufactured and mobile homes on the same terms as other residential dwellings, ensuring greater insurance access and equity..
- **New Mexico SB 224: Insurance Fair Plan Act Changes Proposed**
  - Proposes an amendment to the Fair Plan Act by establishing maximum insurable value for properties covered under the FAIR Plan in the event of fire damage. Specifically, the bill sets a cap of \$750,000 as the maximum limit of liability for properties insured and subsequently damaged or destroyed by fire, regardless of whether the property is located within the service area of a fire department with a class rating of eight, nine, or ten, or a well-staffed and well-equipped fire department with a class rating of one through seven
- **California AB 234: California FAIR Plan Association governing committee Enacted**
  - Adds legislative oversight to the California FAIR Plan Association's governing committee by including nonvoting representatives from the Assembly and Senate, aiming to enhance transparency amid increased reliance on the FAIR Plan due to wildfire-related insurance market disruptions.

## Regulation of wildfire insurance by state insurance commissioners and departments

### Key Takeaways:

- State insurance commissioners play a central role in regulating wildfire insurance, including approving risk models, overseeing premium rates, and ensuring consumer protection.
- Legislation increasingly requires insurers to submit wildfire risk models and rating plans to the insurance commissioner for review, transparency, and public inspection.
- Many bills mandate that insurance commissioners develop or update regulations to ensure that wildfire mitigation efforts (like home hardening or defensible space) are reflected

**REFORM LEVERS**

- Forward-Looking Catastrophe Models**  
Allow insurers to base rates on climate-driven risk projections, not just 20-year historical averages that underestimate future losses.
- Reinsurance Cost Pass-Through**  
Allow insurers to recover rising global reinsurance costs in their rates — keeping them solvent and in the market.
- Mitigation-Linked Discounts**  
Require insurers to offer premium discounts for documented home hardening — making mitigation financially rewarding.
- Risk Disclosure at Point of Sale**  
Some states require wildfire risk assessments at home sales, like lead or radon.

in insurance pricing and availability.

- Insurance commissioners are often empowered to enforce consumer rights, such as requiring disclosure of wildfire risk scores, establishing appeal processes, and penalizing insurers for unjustified premium increases or nonrenewals.
- Some states are creating new programs or commissions within the insurance department to coordinate wildfire mitigation standards, data sharing, and grant programs for resilience.

#### **Cited Legislation:**

- **California S.B.1076 (2026): Admitted insurers: residential property insurance Proposed**
  - Prohibits insurers from refusing to offer or renew policies for properties meeting wildfire mitigation standards set by the Insurance Commissioner. Insurers must provide equivalent coverage and can only deny based on non-wildfire risk. The Commissioner is tasked with adopting implementing regulations.
- **Washington H.B.2277 (2026): Concerning Wildfire Risk Models and Score Disclosure Proposed**
  - Mandates that insurers disclose wildfire risk scores to consumers, incorporate mitigation actions, and submit risk models to the Insurance Commissioner for review. The Commissioner is authorized to adopt rules and oversee compliance.
- **Nevada A.B.376 (2025): Regulatory Experimentation Program for Insurance Product Innovation Enacted**
  - Establishes a program administered by the Commissioner of Insurance to test new insurance products, including wildfire coverage, and allows the Commissioner to grant regulatory exemptions and oversee program outcomes.
- **Hawaii S.B.1136 (2025): Relating to insurance Proposed**
  - Requires insurers to submit wildfire risk models and rating plans to the insurance commissioner, mandates transparency, and sets consumer protections for risk scoring and appeals.
- **California A.B.1 (2024): Residential property insurance: wildfire risk Enacted**
  - Requires the Department of Insurance to periodically review and potentially update wildfire risk mitigation regulations for residential property insurance, incorporating public input and agency consultation, to better incentivize home hardening and communitywide wildfire resilience measures.

This memo was prepared by CSG West staff using AI-assisted research tools, with findings reviewed and verified prior to publication. The Council of State Governments (CSG) is a nonpartisan organization that provides members with unbiased research based on peer-reviewed evidence, reliable data, facts, and objective analysis. CSG takes no position on any pending legislation, enacted laws; proposed or enacted regulations, executive orders or agreements, or other executive actions; past or present court rulings or orders; or any other governmental action or potential action mentioned in this brief or in any linked material. Additionally, CSG does not endorse the viewpoints of any outside author, source, or third-party publication mentioned; sources cited are for informational purposes only.