

Date of Hearing: April 17, 2024

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

AB 2983 (Rodriguez & Calderon) – As Amended March 21, 2024

SUBJECT: Office of Emergency Services: Hazard Mitigation Grant Program: comprehensive wildfire mitigation program: impact on fire insurance

SUMMARY: Requires the California Office of the Emergency Services (Cal OES), the Department of Forestry and Fire Protection (Cal FIRE), and California Department of Insurance (CDI) to assess the extent to which wildfire mitigation projects will increase insurance availability. Specifically, **this bill:**

- 1) Would require Cal OES, when reviewing funding proposals under the federal Hazard Mitigation Grant Program (HMGP), to coordinate with CDI to assess the extent to which such projects would increase the availability of wildfire insurance policies.
- 2) Would require Cal OES to publish the assessment for each project that receives grant funding on its internet website.
- 3) Would require the California Wildfire Mitigation Program Board (CWMPB), when evaluating mitigation projects or proposals, to assess the extent such wildfire mitigation projects would increase the availability of insurance.
- 4) Would require Cal OES and CWMPB to publish the assessment for each project that receives financial assistance on their website.
- 5) Would require, on or before January 1, 2025, CDI to be added to the CWMPB.

EXISTING LAW:

- 1) Provides for the regulation of insurers, agents and brokers, and other insurance-like organizations by the Insurance Commissioner, and imposes a broad range of financial solvency, licensing, and market behavior requirements, as set forth in the Insurance Code.
- 2) Establishes the “Safer from Wildfires” Framework. (Section 2644.9 of Title 10 of the California Code of Regulations)
- 3) Under the California Emergency Services Act, establishes the California Office of Emergency Services (Cal OES) within the office of the Governor for the purpose of mitigating the effects of natural, manmade, or war-caused emergencies. (Government Code, Section 8550)
- 4) Requires the Office of Emergency Services to enter into a joint powers agreement with the Department of Forestry and Fire Protection, until July 1, 2025, to develop and administer a comprehensive wildfire mitigation program to, among other things, encourage cost-effective structure hardening and retrofitting to create fire-resistant homes, businesses, and public buildings. (Government Code, Section 8654.4)

- 5) Requires the joint powers authority to develop eligibility criteria for property owners, community organizations, and local governments that may receive financial assistance under the wildfire mitigation program. (Government Code, Section 8654.4)
- 6) Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law 100-707), authorizes the Federal Emergency Management Agency (FEMA) to provide emergency assistance to states and local entities impacted by disasters. In any emergency, the President may, among other things, authorize public assistance programs aimed at providing essential emergency assistance, repairing and restoring damaged public facilities and removing debris.
- 7) Establishes, under Section 404 of the Stafford Act, the HMGP, which is administered by FEMA and provides grants to States and local governments to implement long-term hazard mitigation measures after a major disaster declaration.
- 8) Establishes the HMGP to finance up to 75% of the cost of hazard mitigation measures determined to be cost effective and that substantially reduce the risk of, or increase resilience to, future damage, hardship, loss, or suffering in any area affected by a major disaster, or any area affected by a fire for which assistance was provided under specified federal law. (42 U.S.C. Sec 5170c)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose:* According to the author, “The exodus of the insurance industry from California requires a whole of government response. Californians can’t afford a disjointed response to the unprecedented risk we face from climate-driven fires in wildland-urban interfaces. In the past two fiscal years alone, Cal OES has received almost \$800 million in federal hazard mitigation funding to buy down risk across the state. This bill ensures there is meaningful collaboration between the wildfire mitigation experts and the insurance policy regulators to invest federal and state moneys to protect communities and make wildfire insurance more available and affordable.”
- 2) *Background:* In 2019, AB 38 (Wood), required Cal OES and Cal FIRE to establish a Joint Powers Authority (JPA) to administer the California Wildfire Mitigation Program (CWMP). The purpose of the CWMP is to harden homes and establish defensible space in high risk, socially vulnerable communities; and provide financial assistance for low- and moderate-income households. These efforts encourage cost-effective wildfire resilience and hazard mitigation measures to create fire-resistant homes, businesses, public buildings, and public spaces.

The 2020 Budget Act provided \$21.9 million General Fund to match federal HMPG dollars earmarked for the CWMP. The FEMA HMGP is a post- disaster funding program that funds up to 75% of the costs of eligible hazard mitigation projects. Cal OES is working closely with FEMA to use the \$21.9 million General Fund to cover the required 25% non-federal cost share for communities to participate in hazard mitigation programs.

- 3) *California's Insurance Availability Crisis*: The number of homes and commercial properties covered by the California FAIR Plan (California's insurer of last resort) has more than doubled, from 154,000 in 2019 to 375,000 due to the admitted market non-renewing. As a result, liability exposure has increased from \$50 billion in 2018 to \$336 billion in February, according to the FAIR Plan. FAIR Plan growth paints the picture of the lack of available insurance in the admitted market.
- 4) *CDI Safer from Wildfires Framework*: In 2022, CDI announced the "Safer from Wildfires" framework, which directs insurers to provide discounts to consumers and businesses if they take specified mitigation measures. In crafting this regulation, CDI worked with emergency preparedness agencies in the Governor's Administration, including CAL FIRE, Cal OES, the Governor's Office of Planning and Research, and the California Public Utilities Commission.

The framework provides a list of home and community wildfire mitigation measures that consumers and business can take to provide protection for the structure, the immediate surroundings, and the community. Under the regulation, the more "Safer from Wildfires" steps a consumer takes the more they may be able to save on their insurance.

The regulation required insurance companies to submit new rate filings incorporating the wildfire safety standards created by CDI and also requires insurance companies to provide consumers with their property's "wildfire risk score" and a right to appeal that score. Once the regulation is fully implemented it should help protect consumers. Steps a consumer can take to help mitigate their property under this framework include:

- Class-A fire rated roof: Most roofs qualify including asphalt shingles, concrete, brick, or masonry tiles, and metal shingles or sheets.
- 5-foot ember resistant zone, including fencing: Removing greenery and replacing wood chips with stone or decomposed granite 5 feet around your home prevents fire from getting a foot in the door.
- Ember- and fire-resistant vents: Installing 1/16 to 1/8 inch noncombustible, corrosion-resistant metal mesh screens over exterior vents can keep wind-blown embers out of your house.
- Non-combustible 6 inches at the bottom of exterior walls: Having a minimum of 6 vertical inches measured from the ground up and from any attached horizontal surface like a deck can stop embers from accumulating and igniting your walls. Noncombustible materials include brick, stone, fiber-cement siding or concrete.
- Enclosed eaves: Installing soffits under your eaves can prevent heat and embers from getting trapped and igniting. When enclosing eaves, non-combustible or ignition resistant materials are recommended.
- Upgraded windows: Multi-paned windows are more resistant to breaking during a wildfire, which helps keep flames from entering. Multi-paned glass or added shutters all qualify.

- Cleared vegetation, weeds and debris from under decks: Noncombustible materials like concrete, gravel, or bare soil are permitted.
- Removal of combustible sheds and other outbuildings to at least a distance of 30 feet: These include sheds, gazebos, accessory dwelling units (ADUs), open covered structures with a solid roof, dog houses and playhouses.
- Defensible space compliance: Following state and local laws requiring defensible space including trimming trees and removal of brush and debris from yard.

5) *Hazard Mitigation Grant Program (HMGP)*: FEMA's Hazard Mitigation Grant Program provides funding to state, local, tribal and territorial governments so they can develop hazard mitigation plans and rebuild in a way that reduces, or mitigates, future disaster losses in their communities. This grant funding is available after a presidentially declared disaster. In this program, homeowners and businesses cannot apply for a grant. However, a local community may apply for funding on their behalf. All state, local, tribal and territorial governments must develop and adopt hazard mitigation plans to receive funding for hazard mitigation project application.

Eligible Risk Reduction Projects under the HMPG: Hazard mitigation includes long-term efforts to reduce risk and the potential impact of future disasters. HMGP assists communities in rebuilding in a better, stronger, and safer way in order to become more resilient overall. The grant program can fund a wide variety of mitigation projects. These can include:

- **Planning & Enforcement**: Developing and adopting hazard mitigation plans, which are required for state, local, tribal and territorial governments to receive funding for their hazard mitigation projects. Acquisition of hazard prone homes and businesses which enable owners to relocate to safer areas (acquisition). Post-disaster code enforcement.
- **Flood Protection**: Protecting homes and businesses with permanent barriers to prevent floodwater from entering (levees, floodwalls, flood proofing). Elevating structures above known flood levels to prevent and reduce losses (elevation). Reconstructing a damaged dwelling on an elevated foundation to prevent and reduce future flood losses. Drainage improvement projects to reduce flooding (flood risk reduction projects).
- **Retrofitting**: Structural retrofits to make a building more resistant to floods, earthquakes, wind, wildfire and other natural hazards. Retrofits to utilities and other infrastructure to enhance resistance to natural hazards (utility retrofits).
- **Construction**: Construction of safe rooms for both communities and individual residences in areas prone to hurricane and tornado activity. Slope stabilization projects to prevent and reduce losses to structures.

6) *California's State Hazard Mitigation Plan (SHMP)*: The SHMP represents the state's primary hazard mitigation guidance document - providing an updated analysis of the state's historical and current hazards, hazard mitigation goals and objectives, and hazard mitigation strategies and actions. The plan represents the state's overall commitment to supporting a comprehensive mitigation strategy to reduce or eliminate potential risks and impacts of disasters in order to promote faster recovery after disasters and, overall, a more resilient state.

Significance of the SHMP: The SHMP sets the mitigation priorities, strategies, and actions for the state. The plan also describes how risk assessment and mitigation strategy information is coordinated and linked from local mitigation plans into the SHMP, and provides a resource for local planners of risk information that may affect their planning area. States are required to review and revise its SHMP and resubmit it for FEMA approval at least every five years to ensure the continued eligibility of Stafford Act funding. This includes eligibility for FEMA's hazard mitigation assistance programs: HMGP, Pre-Disaster Mitigation (PDM), and Flood Mitigation Assistance (FMA). This also includes eligibility for the Fire Management Assistance Grant (FMAG) Program and Public Assistance (PA) grants (Categories C-G). Additionally, with an approved and adopted SHMP, the state remains eligible for the reduced cost share for grants awarded under the Flood Mitigation Assistance grant programs.

- 7) *Previous legislation*: AB 1569 (Committee on Emergency Management) of the 2021-2022 Session. Would have required Cal OES to report annually on Hazard Mitigation Funds are invested and how disaster risks were reduced. Died in the Assembly Committee on Appropriations

AB 38 (Wood), Chapter 391, Statutes of 2019. Established a program to help individuals make their homes more resistant to fires and to establish defensible space.

- 8) *Double referral*: This measure passed out of the Assembly Emergency Management Committee recommended consent with a 7-0 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

California Apartment Association

Opposition

None on file.

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