



# Schools Program Alliance

c/o Alliant Insurance Services  
Corporation Insurance License No. 0C36861  
2180 Harvard Street, Suite 460, Sacramento, CA 95815

## AGENDA

- A Action**
- I Information**
- 1 Attached**
- 2 Hand Out**
- 3 Separate Cover**
- 4 Verbal**

**MEETING:** Board of Directors Annual Meeting  
Schools Program Alliance  
Teleconference Meeting

**DATE/TIME:** October 12, 2020 at 10:00 AM PDT

**LOCATION VIA TELECONFERENCE:** [\(404\) 397-1516](tel:4043971516) US Toll or [\(877\) 309-3457](tel:8773093457) US Toll Free  
Meeting number (access code): 171 692 4762

<i>PAGE</i>	<b>A. CALL TO ORDER, ROLL CALL, QUORUM</b>	<b>A</b>	<b>4</b>
	<b>B. APPROVAL OF AGENDA AS POSTED</b>	<b>A</b>	<b>4</b>
	<b>C. PUBLIC COMMENTS</b> <i>The public is invited at this point to address the Board of Directors on issues of interest to them.</i>	<b>I</b>	<b>4</b>
<i>Pg. 3</i>	<b>D. CONSENT CALENDAR</b> <i>The Board of Directors may take action on the items below as a group except a Board Member may request an item be withdrawn from the Consent Calendar for discussion and action.</i>	<b>A</b>	<b>1</b>
	1. Minutes of SPA Board Meeting September 14, 2020		
	<b>E. ADMINISTRATIVE REPORTS</b>		
	<b>1. Alliant Update</b> <i>The Board will receive an update on matters pertinent to SPA.</i>	<b>I</b>	<b>4</b>
	a. Rolling OCIP Follow Up		
	b. TIV Trending		
	<b>F. GENERAL ADMINISTRATION</b>		
<i>Pg. 8</i>	<b>1. Member Outreach Report Update</b> <i>Members will receive feedback regarding potential member outreach based on recent discussions with the Program Administrators.</i>	<b>A</b>	<b>1</b>
<i>Pg. 10</i>	<b>2. Property Appraisals</b> <i>Members receive an overview of the responses to the RFP for property insurance appraisal services and provide direction.</i>	<b>A</b>	<b>3</b>
<i>Pg. 11</i>	<b>3. SPA Memorandum of Coverage</b> <i>Members will review and may consider approval of the final MOC wording.</i>	<b>A</b>	<b>3</b>

Pg. 12	<b>4. Flood Coverage</b> <i>Members will receive a summary of the feedback received regarding any changes to their own programs due to the addition of flood coverage in the SPA MOC.</i>	A	1
Pg. 14	<b>5. Loss Control Services</b> <i>Members will receive an overview of each of their current risk control staffing and services and may provide direction regarding additional loss control services they may recommend or wish to explore for group purchase.</i>	A	1
Pg. 17	<b>6. Resolution 20-01 Appointing Vice Chairs</b> <i>Members may approve a Resolution appointing First and Second Vice Chairs to the Board to chair meetings as needed.</i>	A	1
Pg. 19	<b>7. Wildfire Scoring for SPA Locations</b> <i>Members will receive an overview of services for identifying and prioritizing wildfire risks and may request further information or action.</i>	A	1
	<b>F. INFORMATION ITEMS AND DISCUSSION</b> <i>This is an opportunity for a Board Member to discuss a topic of interest or seek guidance and input from the group about a current issue, risk management topic or exposure the Member is experiencing.</i>	I	4
Pg. 33	1. Legionnaire’s Concerns with Reopened Schools		
Pg. 36	2. “Insuring Wildfires: The Point of No Return?” – Leader's Edge Magazine		
	<b>G. ADJOURNMENT</b>	A	4

**IMPORTANT NOTICES AND DISCLAIMERS:**

*Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Michelle Minnick at Alliant Insurance at (916) 643-2715 twenty-four (24) hours in advance of the meeting.*

*The Agenda packet will be posted at each member’s site. Documents and material relating to an open session agenda item that are provided to the SPA members less than 72 hours prior to a regular meeting will be available for public inspection and copying at 2180 Harvard Street, Suite 460, Sacramento, CA 95815.*

*Access to some buildings and offices may require routine provisions of identification to building security. However, SPA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.*



Item No: D.

## **CONSENT CALENDAR**

### **ACTION ITEM**

**ISSUE:** Items on the Consent Calendar should be reviewed by the Board, and if any item requires clarification or amendment, such item(s) should be pulled from the agenda for separate discussion.

*Items pulled from the Consent Calendar will be placed back on the agenda in an order determined by the President.*

**RECOMMENDATION:** Adoption of the Consent Calendar after review by the Board.

**FISCAL IMPACT:** None

**BACKGROUND:** Items of importance that may not require discussion are included on the Consent Calendar for adoption.

### **ATTACHMENTS:**

1. Minutes of SPA Board Meeting September 14, 2020



# **SCHOOLS PROGRAM ALLIANCE**

## **September 14, 2020 Teleconference Meeting Minutes**

### **Members Present:**

<b>Butte Schools Self-Funded Programs (BSSP)</b>	Christy Patterson
<b>North Bay Schools Insurance Authority (NBSIA)</b>	Janet Selby
<b>North Bay Schools Insurance Authority (NBSIA)</b>	Brandon Schlenker
<b>Redwood Empire Schools Insurance Group (RESIG)</b>	Rose Burcina
<b>Redwood Empire Schools Insurance Group (RESIG)</b>	Steven Fields
<b>Redwood Empire Schools Insurance Group (RESIG)</b>	Chris Spenser
<b>Schools Insurance Authority (SIA)</b>	Martin Brady
<b>Schools Insurance Authority (SIA)</b>	Debrah Sherrington
<b>Schools Insurance Authority (SIA)</b>	Brooks Rice
<b>Schools Insurance Group (SIG)</b>	Cindy Wilkerson

### **Consultants & Guests**

Daniel Howell, Alliant Insurance Services	Dan Madej, Alliant Insurance Services
Michelle Minnick, Alliant Insurance Services	Seth Cole, Alliant Insurance Services
Marcus Beverly, Alliant Insurance Services	

### **A. CALL TO ORDER, ROLL CALL, QUORUM**

Mrs. Cindy Wilkerson called the meeting to order at 10:05 a.m. The above mentioned members were present constituting a quorum.

### **B. APPROVAL OF AGENDA AS POSTED**

*A motion was made to approve the Agenda as posted.*

<b>MOTION: Rose Burcina</b>	<b>SECOND: Janet Selby</b>	<b>MOTION CARRIED UNANIMOUSLY</b>
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Absent: SIA

### **C. PUBLIC COMMENT**

There were no public comments.

### **D. CONSENT CALENDAR**

*A motion was made to accept the Consent Calendar as presented.*

<b>MOTION: Rose Burcina</b>	<b>SECOND: Janet Selby</b>	<b>MOTION CARRIED UNANIMOUSLY</b>
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Absent: SIA

### **E. GENERAL ADMINISTRATION**

#### **E1. Member Outreach Report**

Dan Madej provided the group with a recap of the recent meetings with the individual SPA members with the intent of growing the SPA group to achieve better pricing in the market. It was generally agreed that we are seeking JPA's that are similar in structure to the current membership that could benefit from the SPA services and help with the risk profile of the SPA JPA.

#### **E.2. Property Appraisals**

Marcus Beverly presented the Board with an update of the plan for the Property Appraisals. He also noted that the proposal from AIG was included and recommended approval to show our Underwriters that we are committed to providing accurate values and COPE information. Separately, the Board provided direction to issue a Request for Proposal to include a request for the responding vendors to provide some additional information on alternative appraisal techniques.

*A motion was made to approve the AIG proposal presented and administration was provided with direction to issue an RFP.*

**MOTION: Janet Selby**

**SECOND: Christy Patterson**

**MOTION CARRIED  
UNANIMOUSLY**

Absent: SIA

#### **E.3. Human Resources Hotline**

Marcus Beverly presented information related to members that are currently using the Human Resources Hotline provided by Patricia Eyres and Associates. After some discussion members generally agreed they would like administration to reach out and see if there are additional vendors who would provide a similar service, though the same service may be difficult to replicate.

#### **E.4. Flood Coverage**

Dan Madej noted that Flood coverage was included in the Property Policy and members were asked to consider and make a decision if they want to exclude flood coverage in the retained layer or include flood coverage in your retained layer up to where it attaches in the program (if your underlying MOC is follow-form then you are including Flood in the retained \$250,000 layer). Program Administration was asked to reach out to members to determine how flood is being handled under their underlying MOC and bring this back to the Board at the October meeting.

#### **E.5. Rolling OCIP**

Dan Howell provide the members with an overview of the "Rolling Owner Controlled Insurance Program" (ROCIP) for major capital improvement projects. He noted the two reasons for this type of coverage are the control over the coverage and the claims when they happen and the other is saving money (really a 5 year minimum before it would make sense). After a general discussion it was agreed that this should be further vetted and brought back to a meeting in the future after members reach out to their internal members to determine the need.

## **E.6. Loss Control**

Marcus Beverly presented the Board with information related to possible Loss Control services specifically Firestorm Services. There was a general discussion about what items would have the greatest impact to underwriters in an effort to reduce rates. It was agreed that an audit of defensible space was a topic of interest and that it would be beneficial to receive the CORE Logic information to help identify locations with the highest risk exposure.

## **E.7. Wildfire Deductible Discussion**

Dan Madej mentioned due to the composition of this program (a combination of 60% domestic and 40% London markets) a differing element identified was the wildfire deductible – he went on to discuss how the wildfire deductibles would work, both for individual SPA Member loss scenarios, as well as for multi-SPA Member/single loss scenarios. Members reviewed the memo dated 8/20/20 and noted the concept of the scenarios presented was pro rata based on the loss. The charts presented in the scenarios are showing the total cost of the deductible but do not show how the group would allocate the deductible between those members that are involved in the loss. He went on to indicate that a member would actually receive a blended deductible in the event of a wildfire loss. Members reviewed possible scenarios and noted that in a multi-SPA Member/single occurrence wildfire scenario, the outcome of the required wildfire deductible is dependent on which SPA Members are involved together in a loss, as the deductibles vary by member as depicted in the chart presented in the agenda.

## **E.8. Claims Reporting Form Update**

Dan Madej noted the changes made to the Claim Reporting Form as requested by the Board at the last meeting. Members were encouraged to use this information when reporting a loss.

## **E.9. “SILENT CYBER” – LMA5400**

Dennis Mulqueeney provided the Board with a summary of the property coverage as it relates to potential cyber coverage issues. In recent years there have been instances where physical losses have occurred and it was later determined the cause of loss was a cyber-attack. Insurers attempting to address this type of exposure by excluding coverage for property loss resulting from any malicious cyber-attack, known as the LMA5400. While schools may have a lower exposure to these type of losses, they should be aware of this change while the market develops.

## **F. INFORMATION ITEMS AND DISCUSSION**

Dan Madej noted that we are currently working with the carriers to clean up the MOC language and ensure all carriers approve it and we will provide an update at the next meeting. There was a general discussion regarding how members treat the wildfire deductible within their own pools. There was a general discussion related to Defensible Space and resources that can be made readily available and shared among members.



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**G. ADJOURNMENT**

The meeting was adjourned at 12:27 P.M.

**NEXT MEETING DATE: Monday October 12, 2020 10 A.M.**

Respectfully Submitted,

\_\_\_\_\_  
Martin Brady, Secretary

\_\_\_\_\_  
Date

DRAFT



Item No: E.1.

## **MEMBER OUTREACH REPORT**

### **ACTION ITEM**

**ISSUE:** All SPA members have now provided feedback regarding the group's Strategic and Operational Strategy of targeting membership growth opportunities. The Program Administrators have updated the attached memo to include the latest feedback and will discuss the strategy and potential members in more detail at the meeting.

**RECOMMENDATION:** Discuss new membership efforts and timing, leading to a scheduled and managed approach to prospecting for new members for SPA.

**FISCAL IMPACT:** None.

**BACKGROUND:** While SPA has been launched in a meaningful way, with current membership comprising \$15B in TIV, measured growth is important in increasing SPA's impact and in service of its purpose. This includes adding the right type of membership, increasing SPA's size and clout in the marketplace, as well as increasing the size and scope of the shared services for membership.

**ATTACHMENTS:** New Membership Initiative Memo, 10/5/20





## Schools Program Alliance

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To: SPA Membership  
From: Dan Madej  
CC: Daniel Howell, Michelle Minnick, Marcus Beverly  
Date: October 5, 2020  
Re: New Membership Initiative (Update to the August 31<sup>st</sup> memo)

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SPA Members:

As of September 17<sup>th</sup>, Alliant has had conversations with all SPA Members on the topic of New Membership. These conversations follow the multi-faceted Strategic and Operational Plan discussed at the August 3<sup>rd</sup> SPA Annual Meeting, of which New Membership was one component. This memo will summarize the initial feedback obtained from the New Membership discussions. Further and more detailed discussions are envisioned on a go-forward basis.

Conceptually, SPA was formed as a partnership JPA in the hopes of creating a new, long term solution for school pools in CA. Part of the genesis of this need has been the on-going poor market conditions for school pools in CA. The idea was to combine like-minded JPAs in an effort to secure better coverage purchase outcomes (group purchase vs individual purchase), as well as better service purchase outcomes for shared services desired (loss control, appraisals). While SPA has been launched in a meaningful way, with current membership comprising \$15B in TIV, the right type of growth will be important in increasing SPA's impact in the marketplace and in service of its purpose. This includes adding the right type of membership, increasing our size and clout in the marketplace, as well as increasing the size and scope of the shared services for membership.

From a conceptual standpoint, the following criteria or comments were offered, regarding how/what New Membership should be pursued:

- JPAs we can have relationships with (i.e., that will work well together with the group, as the current group does)
- JPAs we can help, either via coverage or services (loss control)
- JPAs that diversify our risk profile to the market, to benefit the insurance/reinsurance outcomes
- Side-by-side comparisons should be considered, showing SPA's offerings vs other known offerings in the market. This may help focus our target list.
- Similar to the above, we should consider creating a matrix of target JPAs.

A list of JPAs that might be targets for SPA will be discussed at the SPA meeting.

The above represents only the initial discussions conducted, at this point. This initiative, obviously, will be on-going as SPA's efforts mature over time. Efforts to target and pursue potential new members will, also, need to be a joint approach between SPA Members and the SPA Program Administrator.



Item No: E.2.

## **PROPERTY APPRAISALS**

### **ACTION ITEM**

**ISSUE:** SPA issued a Request for Proposals (RFP) for property insurance appraisal services. The RFP was sent to six firms, with all expected to respond by due date of October 8, 2020. The Program Administrators will provide a brief overview of the responses and solicit Board members to review and provide feedback in selecting an appraisal firm.

**RECOMMENDATION:** Review proposals and provide feedback in anticipation of approving an appraisal firm at the November 9, 2020 Board meeting.

**FISCAL IMPACT:** TBD

**BACKGROUND:** SPA members have prioritized implementing a regular appraisal process to maintain accurate values for underwriting and claims purposes. The budget for FY 20/21 includes \$150,000 for appraisals and \$200,000 for general loss control services. The Board has already approved a contract with AIG to appraise eighteen high schools over the next three years at a total cost of \$24,000. The subject RFP requests onsite appraisals for the remaining buildings over \$5 million and creative ways to update most if not all buildings between \$1 and \$5 million.

**ATTACHMENTS:** *Handout at meeting*



Item No: E.3.

## **SPA MEMORANDUM OF COVERAGE**

### **ACTION ITEM**

**ISSUE:** Revisions to the SPA MOC. Approval of the revisions.

**RECOMMENDATION:** Approve the revisions as presented or provide direction.

**FISCAL IMPACT:** None

**BACKGROUND:** SIA's property form was used as the proposed SPA MOC in the marketing of SPA coverage. The negotiation on the placement (and final MOC form) with lead underwriters went into late June. While key changes were discussed in June meetings, we received the final, market-approved, MOC shortly after 7/1. That version was reviewed and approved at the Aug 3rd Board of Directors meeting.

However, we later noted several areas where the MOC needed to be modified or updated, mainly to have it read more like an MOC and less like an insurance policy. This is a side effect of the newness of the form and the lengthy market-approval process. We also have two (2) new coverages bound at 7/1 that needed to be added to the MOC, terrorism and active assailant coverages.

The modifications have been made to the MOC and shared with the lead carriers. We wanted to be sure the underwriters agreed with the revisions prior to bringing the form in front of the SPA Board for approval of the revisions.

**ATTACHMENTS:** *A handout will be provided prior to the October 12th meeting.*

Item No: E.4.

## **FLOOD COVERAGE**

### **ACTION ITEM**

**ISSUE:** Members are asked to confirm how they have/will treat the SPA MOC flood coverage in their underlying MOCs. The attached chart summarizes the responses so far to questions gauging the interest and need for flood coverage among the members and their districts, including any current district coverage and whether or not the member will cover flood within their own MOC.

**RECOMMENDATION:** Review and provide feedback on flood coverage and any areas not addressed in the attached chart.

**FISCAL IMPACT:** None, as respects SPA, will vary per member based on decision.

**BACKGROUND:** While the Flood coverage was highlighted as one of the enhancements in coverage that SPA would deliver to its members if the JPA were launched, the ramifications of including this coverage were not fully contemplated until after 7/1, including funding of the new deductibles and whether SPA Member districts truly need the coverage if they didn't have it previously. As such, discussions have continued since July regarding the impact to each JPA and the position each JPA will take within their own underlying MOC. Options include (1) do nothing, in which the flood coverage will exist in the underlying MOC, (2) Exclude from the underlying MOC, thus having the coverage only exist in the SPA MOC or (3) confirm, via their MOC, that the JPA and its members do not participate in the SPA MOC coverage for Flood. If options #1 or #2 are chosen, the JPA can clarify whether or not the funding of the flood deductible will be handled by the JPA or the JPA's member directly.

At 7/1/21, Alliant will explore pricing options with and without flood coverage, if directed by SPA to do so.

**ATTACHMENTS:** Summary of responses to questions regarding flood coverage.

## SPA FLOOD COVERAGE - Responses to email questions as of 10/2/20

	Is there a real need? Members requesting?	If separate coverage is purchase how will SPA's coverage impact this; is there concern with FEMA?	Coverage/deductibles contemplated in JPA's funding needs?	How would flood loss impact Retained Layer/funded amounts?	JPA's members purchasing separately, so we can schedule those?	How would you like to handle the flood coverage?
<b>SPA Member</b>						
<b>Butte</b>	No, one member has inquired	That would be a concern	Was not contemplated	Alliant comment: Flood does not erode the SIRs in place	None	Can live without it; or pass it on to the member from the underlying MOC
<b>North Bay</b>	Hasn't offer through JPA; keep it this way	That would be a concern	Was not contemplated	Alliant comment: Flood does not erode the SIRs in place	Some buy NFIP and one buys DIC	Exclude from their MOC
<b>RESIG</b>	No, other than Guerneville, possibly	Not addressed in response	Not addressed in response	Alliant comment: Flood does not erode the SIRs in place	None	Our underlying coverage excludes flood and earthquake coverage; would like to keep it excluded
<b>SIG</b>	Don't need; but maybe consider later given climate change	Yes, that is a concern	Was not contemplated	Alliant comment: Flood does not erode the SIRs in place	No	Haven't decided yet
<b>SIA</b>	No, other than Natomas USD, possibly.	FEMA reaction is a concern	Not addressed in response	Alliant comment: Flood does not erode the SIRs in place	Not confirmed yet	While it's been included historically, not opposed to excluding

Item No: E.5.

## LOSS CONTROL SERVICES

### ACTION ITEM

**ISSUE:** Members continue to provide feedback regarding the potential for shared loss control services, with the focus of the discussion understandably on wildfire risk. The attached chart summarizes the discussions to date on current loss control services per JPA.

While these strategic discussions will be on-going, a few comments were offered during this initial discussion that are relevant to how SPA should approach its role and services for Loss Control:

1 - SPA should focus on bigger picture Loss Control items:

- Wildfire, Flood (things the JPA staffs wouldn't be doing, or couldn't do)
- Some topic/concern the members share, but are beyond the member-specific loss control services being provided currently

2 - Wildfire prevention & mitigation

- Defensible Space seems like a nature topic we should explore (creating a video, etc.) given the wildfire exposure.
- Emergency response and technology – foam, suppression, etc.
  - <https://wildfire-defense.com/company-profile.html>
  - <https://firebreakpro.com/wildfire-protection-systems>
  - <http://www.consumerfireproducts.com/estatehome-protection.html>
  - <https://waveguardco.com/>

3 - Higher level loss control/loss prevention focus

4 – What do underwriters think are the “best of the best” issues for SPA to deploy its loss control funding towards?

The understanding of current levels of services will be used to inform future discussions with SPA Members regarding the SPA loss control services initiatives.

**RECOMMENDATION:** Review, discuss and continue to provide feedback and direction on loss control resources to bring for member consideration.

**FISCAL IMPACT:** None.



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Annual Meeting  
October 12, 2020

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Item No: E.5.  
*Continued*

**BACKGROUND:** As of September 17th, Alliant has had conversations with all SPA Members on the topic of Loss Control. These conversations follow the multi-faceted Strategic and Operational Plan discussed at the August 3<sup>rd</sup> SPA Annual Meeting, of which Loss Control was one component. This item and attached matrix summarize the initial feedback from the Loss Control discussions outlines what members have in place currently. Further discussions and more details will follow.

In particular, the conceptual question includes: what loss control role and service(s) should SPA offer and how?

**ATTACHMENTS:** *Draft Loss Control Resources Matrix*

SPA - Loss Control Initiative (Property focused)					
By Member existing loss control status					
As of September 17, 2020					
<u>Member</u>	Any Loss Control-type services currently offered by JPA?	In-house or consulting?	High-level summary of services	Other relevant comments	Contact for future LC discussions
Butte	Yes	Consulting of property/safety inspections every 3 years; Also leverages the carrier services and materials for members	By Consultant: property/safety inspections every 3 years; carrier materials like white papers are distributed; Butte will also reimburse members for select remediations identified in inspections	Butte has explored contracting with other JPAs for additional services	Christy Patterson
North Bay	Yes	In-house Member Services department	Inspections, trainings, hazard reviews		Janet Selby, Brandon Schlenker, Suzanne Dillman
RESIG	Yes	In-house Loss Prevention department; 3 people - 1 director and 2 loss coordinators	Inspections, Trainings, Testing (water/mold damage)	LP department and P&C team have good collaboration; LP director (Will Davis) has environmental expertise	Rose Burcina and Will Davis
SIG	No	N/A from SIG level	N/A from SIG level, but County Office of Education will offer disaster planning and wildfire prevention type services	Members are mostly small districts; they pursue resources that are offered at the County Office of Education; SIG has also borrowed some services at times	Cindy Wilkerson and Gabriel Daniels
SIA	Yes	Yes	Not discussed		Not discussed





Item No: E.6.

**RESOLUTION 20-01  
APPOINTING VICE CHAIRS**

**ACTION ITEM**

**ISSUE:** The Board is asked to appoint First and Second Vice Chairs to the Board to establish an order for chairing meetings in the absence of the Chairperson.

**RECOMMENDATION:** Nominate and approve First and Second Vice Chairs via the attached Resolution.

**FISCAL IMPACT:** None.

**BACKGROUND:** The SPA JPA Agreement calls for the Board to appoint a Chairperson/Secretary but is silent regarding chairing meetings when that person is unavailable. The attached Resolution will establish a recognized order for chairing a meeting as needed.

**ATTACHMENTS:** Resolution 20-01 Appointing Vice Chairs

# SCHOOLS PROGRAM ALLIANCE

## RESOLUTION 20-01

### RESOLUTION APPOINTING VICE CHAIRS

**WHEREAS**, The Schools Program Alliance (SPA) Board of Directors finds and determines the need to name Vice Chairs to the Board in order to chair meetings in the absence the Chairperson.

**NOW THEREFORE, BE IT RESOLVED**, the SPA Board of Directors appoints the following persons:

- First Vice Chair:
- Second Vice Chair:

\*\*\*\*\*

I hereby certify that the foregoing is a full, true and correct copy of Resolution No. 20-01 duly and regularly adopted and passed at a regular meeting of the Board of Directors of the Schools Program Alliance held on the 12<sup>th</sup> day of October 2020, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

**ATTEST:**

\_\_\_\_\_  
**SPA Chairperson**

\_\_\_\_\_  
**NCCSIF Secretary**

Item No: E.7.

## WILDFIRE SCORING FOR SPA LOCATIONS

### ACTION ITEM

**ISSUE:** The SPA Board expressed an interest in further discussing the merits of specific wildfire risk scoring for SPA covered locations. The goal is essentially two-fold:

1. A tool for SPA and its members to better understand their own risk, for use in loss control measures addressing the Wildfire peril, and
2. Scores to be used in the underwriting process to order to obtain better terms and conditions than would otherwise be available.

**RECOMMENDATION:** Consider obtaining a firm quote to engage CoreLogic to perform a scoring using their proprietary system.

**FISCAL IMPACT:** It is expected that CoreLogic would charge anywhere from \$1.50 to \$2.58 “per line” (location record) to report out a score.

Alliant has been able to obtain favorable pricing based on our volume of work and willingness to have our internal IT people do prep work including identifying locations and formatting the data.

**BACKGROUND:** Within the past year Alliant’s public entity group has investigated various methods for quantifying the wildfire peril for our clients. In this investigation, four systems stood out as good candidates:

1. CoreLogic
2. MunichRe
3. State of CA – Cal Fire Ratings  
<https://gis.data.ca.gov/datasets/789d5286736248f69c4515c04f58f414>
4. UCLA - Department of Department of Geography  
<https://gis.ucla.edu/blog/fire-hazard-every-building-in-california-interactive-map>

In reviewing these, the CoreLogic approach seemed to be the most viable for immediate implementation. Some brief comments on each:

1. MunichRe – Seemingly by far the most sophisticated tool, however, cost prohibitive for the vast majority of our clients.
2. Cal Fire Ratings – While a potentially viable tool, the lack of current data and identified funding by the State to keep it up to date, with specific enough data, remains a concern.
3. UCLA Department of Geography Tool - While forward thinking and cutting edge, the focus of the department is on research and as yet have not determined how to deliver a commercial product.

Item No: E.7.  
*Continued*

For the above reasons, Alliant has focused on the CoreLogic Approach to scoring properties, and their methodology is described in the attached materials and briefly below. Based on this work, Alliant has created a field in our Oasis Property Database system for capturing this information:

The screenshot shows a software window titled "CJPIA - MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY Loc 3 OWNED PREMISES". It features a search bar with "Site # 3", "Bldg. #", and "Site Desc. OWNED PREMISES". Below are several tabs: "Property Description", "Details", "Coverages", "Values", "Scheduled Items", "Estimator", and ".Env". The "Details" tab is active, displaying various property attributes:

- Construction: CB - CONCRETE BLOCK
- Fund Type: General Fund
- Allocation Code: (empty)
- % Sprinklered: 0
- Fire Protection ISO Code: (empty)
- Auto Sprinklers: (checkbox unchecked)
- Year Built: 1983
- Year Last Appraised: 1998
- Sq. Feet: 2,136
- # of Stories: 1
- Latitude: 34.241935
- Longitude: -117.277998
- Windfire Risk rating (Core Logic): 71 (circled in blue)
- Wind Tier: (empty)
- Eq. Zone: E
- Hail Zone: (empty)
- Flood Zone: X
- Flood Zone Updated: //

Buttons for "Add Photograph", "View Photograph", "B&M Contact Details", "Global Changes", "GPS Notes", "Alarms", "Notes", and "Rent Notes" are also visible.

### CoreLogic’s Wildfire Risk Score

The CoreLogic WF Risk Score report provides information about a property location’s wildfire risk. CoreLogic’s Wildfire Risk Score data utilizes a combination of brushfire data and proximity to higher risk areas and Wildlands to provide an accurate assessment of a property’s wildfire exposure to risk on the property and from firebrands. Since fuels are often consumed by a fire, recent fire activity may lower the Risk Description and the Risk Score within the perimeter of a recent fire. This reduction in risk is calculated into the risk score in the year following the fire but is only temporary. As the fuels regrow the risk will return to its original pre-fire value. The data return provides both the current Risk Score and the “Preburn” Score so that users will be able to identify what the risk is during the current year and what the risk is prior to any recent fires. If there has been no recent fire activity on or around the property, the Preburn Score and the Risk Score are the same value.

### ATTACHMENTS:

1. Wildfire Risk Score Presentation
2. Sample Risk Meter Report – Civic Center Way



# Wildfire Risk Score

2019

CoreLogic



## Identifying Potential Wildfire Loss

- Two critical factors:
  - The risk on the property (at the geocoded point within the boundaries of the parcel).
  - The risk posed by nearby areas (inside or outside the parcel, but beyond the geocoded point).
- The Wildfire risk on the property is categorized as Low/Moderate/High/Very High and is based on the 4 weighted inputs.
- The Wildfire Risk Score (1-100) begins with the category and adds additional factors related to the area surrounding the property which accounts for airborne embers that can travel onto the property.

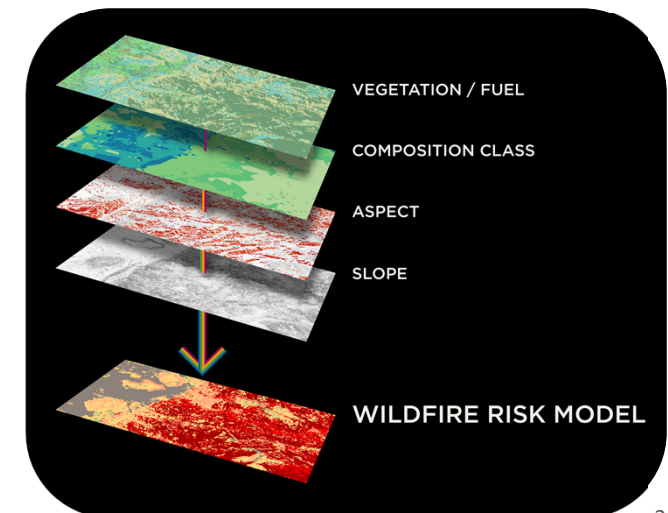
## Risk on the property – 30 meter x 30 meter grid

- Four input variables are weighted.
  - Fuel – species type and density (ignition/spread/intensity).
  - Composition Class – estimation of burn history/frequency.
  - Aspect – southerly slopes drier and warmer (ignition/spread/intensity).
  - Slope – steeper slopes more conducive to fire spread and intensity.

### Resulting Risk Categories



***\*These categories (L/M/H/VH) are what you see listed as RISK DESCRIPTION in the report.***



## Risk near the property – proximity to nearby risk factors

- Properties on the urban edge are often Low risk (landscaped lawns)
- Just beyond the urban edge is High risk
  - Natural vegetation/fuel – dense chaparral or forest – WUI
- Windblown embers can carry onto the property





## Wildfire Risk Score

- Wildfire Risk Score measures the distance from the geocoded address to
  - The nearest High or Very High risk area
  - The nearest area designated as Wildland (area without any development – indicative of dense fuels and ignition opportunity)
- And then combines:
  - The risk on the property (L/M/H/VH)
  - The distance to the nearest High or Very High (if not in H/VH now)
  - The distance to the nearest Wildland
- Results in a score based on a 1 to 100 scale. ***(this is listed as RISK SCORE in the report)***

# Wildfire Risk Score: brown tint = High Risk; purple tint = Low (urban)





# Wildfire Risk Score Enhancements

## Preburn Risk Score (1-100)

Does not consider recent fires. If a recent fire occurred here, the preburn Score ignores it and instead calculates the Score based on fuels that were present before the fire. Since fuels will regrow after the fire, this value is most similar to what the risk will be after fuels regrow.

## Preburn Distance to High/Very High Risk Ft

Distance in feet from property to edge of the nearest High Risk without considering any recent burned areas. Preburn Distance is calculated based on fuels that were present before the fire and does not change due to recent fires.

## Average Days of High Wind

Average number of days per year with wind speeds of 40mph or greater, currently only available in CA.

## Number of Past Fires

Number of fires that have occurred within 5 miles of this address since 1984

Wildfire Risk Score: **8**

RISK DESCRIPTION	Low	BRUSHFIRE RISK LEVEL	1
BRUSHFIRE DISTANCE TO HIGH RISK FEET	18,119	BRUSHFIRE DISTANCE TO VERY HIGH RISK FEET	19,964
WILDFIRE PREBURN SCORE	80	BRUSHFIRE PREBURN RISK DESCRIPTION	High
PREBURN DISTANCE TO HIGH RISK FEET	0	PREBURN DISTANCE TO VERY HIGH RISK FEET	10,776
FIREBREAK LAND USE DENSITY CLASS	High Density Residential	FIREBREAK LAND USE DENSITY LEVEL	2
		FIREBREAK DISTANCE WILDLAND FEET	4,061
AVERAGE DAYS OF HIGH WIND	2	HAS RECENTLY BURNED	Yes

NUMBER OF PAST FIRES	11
<b>Past Fire Overview</b>	
1. Distance To Burn: 0 Name Of Burn: CAMP Size Of Burn: 153,336 Year Of Burn: 2018	2. Distance To Burn: 5,314 Name Of Burn: BTU LIGHTNING COMPLEX (LONG BRANCH-JACK) Size Of Burn: 52,091 Year Of Burn: 2008

## Has Recently Burned

Yes/No based on whether a fire has occurred in the past 9 years in which the perimeter of the fire encircles this address. In some cases the address can be instead the perimeter but the property may not have been damaged or destroyed.

## Past Fire Overview

List of all fires since 1984 that have occurred within 5 miles of the property address, sorted by closest fire first

## RM2.0 sample report brief explanations

1-100 Score  
Incorporates changes to fuels based on recent fires on/near property.

**Wildfire Risk Score: 12**

- 1 – Low/Urban/Agriculture
- 2 – Moderate
- 3 – High
- 4 – Very High

Distance in feet to nearby Very High only

Risk Description that does not consider recent fire activity.  
Low/Urban/Agriculture  
Moderate  
High  
Very High

Distance (feet) to Very High that does not consider recent fire activity.

- 1 – Agriculture
- 2 – High Density Residential
- 3 – Medium Density Residential
- 4 – Low Density Residential
- 5 – Scattered Residential
- 6 – Urban
- 7 – Urban Non-Residential
- 8 – Water
- 9 – Wildland

Distance in feet to nearest Wildland

Yes/No based on whether address was inside a fire perimeter in the past 9 years.

Low/Urban/Agriculture  
Moderate  
High  
Very High

Incorporates changes to fuels based on recent fires on/near property

Distance (feet) to nearby High only

1 – 100 Risk Score that does not consider recent fire activity.

Distance (feet) to nearby High that does not consider recent fire activity

Density Class

- Agriculture
- High Density Residential
- Medium Density Residential
- Low Density Residential
- Scattered Residential
- Urban
- Urban Non-Residential
- Water
- Wildland

Average annual number of days of winds 40mph or greater

Number of fires since 1984 that have occurred within 5 miles of the address

RISK DESCRIPTION	Low	BRUSHFIRE RISK LEVEL	1
BRUSHFIRE DISTANCE TO HIGH RISK FEET	6,158	BRUSHFIRE DISTANCE TO VERY HIGH RISK FEET	10,803
WILDFIRE PREBURN SCORE	84	BRUSHFIRE PREBURN RISK DESCRIPTION	High
PREBURN DISTANCE TO HIGH RISK FEET	0	PREBURN DISTANCE TO VERY HIGH RISK FEET	513
FIREBREAK LAND USE DENSITY CLASS	Medium Density Residential	FIREBREAK LAND USE DENSITY LEVEL	3
AVERAGE DAYS OF HIGH WIND	19	FIREBREAK DISTANCE WILDLAND FEET	413
NUMBER OF PAST FIRES	11	HAS RECENTLY BURNED	Yes

**Past Fire Overview**

1. Distance To Burn: 0  
Name Of Burn: WOOLSEY  
Size Of Burn: 96,949  
Year Of Burn: 2018




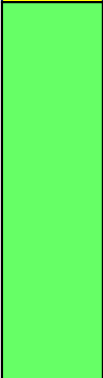
2. Distance To Burn: 836  
Name Of Burn: CORRAL  
Size Of Burn: 5,485  
Year Of Burn: 2007

Lists all fires since 1984 that are within 5 miles of the address.

Identifies:

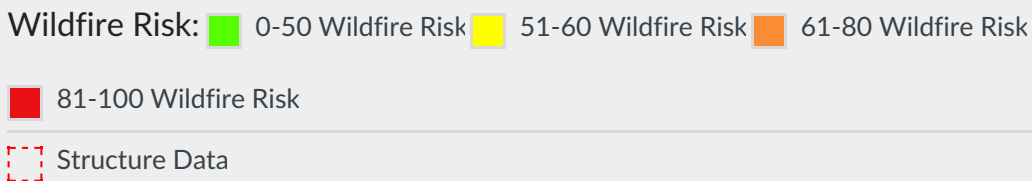
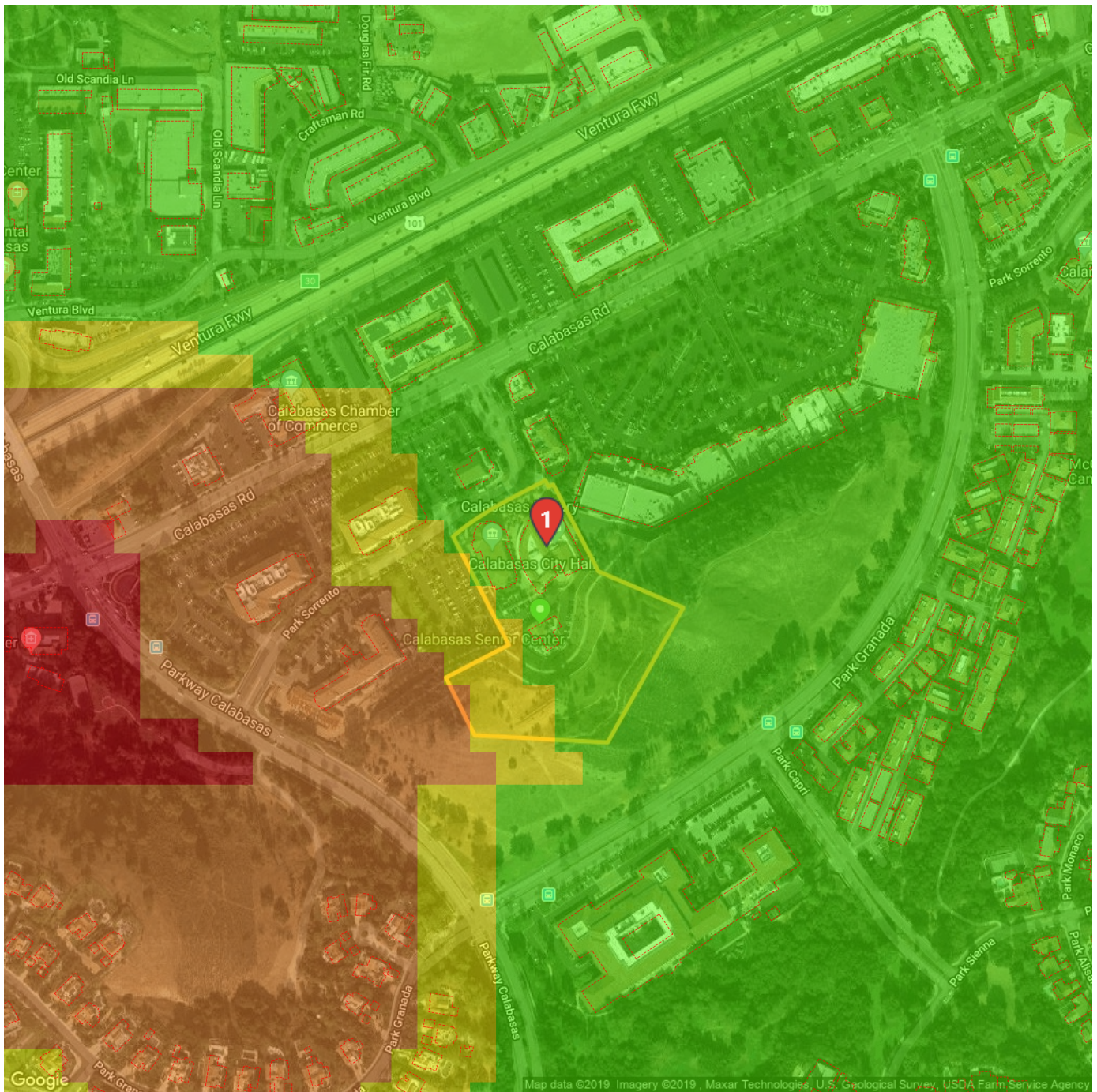
- Distance in feet
- Name of fire
- Acres burned
- Year burned

## Using Wildfire Risk Score

	<u>Risk Score</u>	<u>Decision Type</u>
	81 - 100	<b>Very High</b> - <i>Extreme risk (mitigation)*</i>
	61 - 80	<b>High</b> - <i>Inspection Required*</i>
	51 - 60	<b>Moderate</b> - <i>Refer to Underwriter*</i>
	1 - 50	<b>Low</b> - <i>Acceptable Risk*</i>

*\*Sample risk classifications...  
Can be customized based on additional business rules.*

## Overview Map





**1** 100 CIVIC CENTER WAY CALABASAS CA 91302

LOCATION ACCURACY: Structure LATITUDE: 34.152540 LONGITUDE: -118.646687 MATCH CODE: A0000 SOURCE: PxPoint

## Wildfire Risk Score Report

### Wildfire Risk Score: 46

RISK DESCRIPTION	Urban	BRUSHFIRE RISK LEVEL	1
BRUSHFIRE DISTANCE TO HIGH RISK FEET	1,236	BRUSHFIRE DISTANCE TO VERY HIGH RISK FEET	7,908
WILDFIRE PREBURN SCORE	46	BRUSHFIRE PREBURN RISK DESCRIPTION	Urban
PREBURN DISTANCE TO HIGH RISK FEET	1,236	PREBURN DISTANCE TO VERY HIGH RISK FEET	7,886
FIREBREAK LAND USE DENSITY CLASS	Low Density Residential	FIREBREAK LAND USE DENSITY LEVEL	4
		FIREBREAK DISTANCE WILDLAND FEET	8,038
AVERAGE DAYS OF HIGH WIND	21	HAS RECENTLY BURNED	No
NUMBER OF PAST FIRES	18	<b>Past Fire Overview</b>	

**1. Distance To Burn: 4,809**  
 Name Of Burn: OLD  
 Size Of Burn: 752  
 Year Of Burn: 2016

**2. Distance To Burn: 6,574**  
 Name Of Burn: WOOLSEY  
 Size Of Burn: 96,949  
 Year Of Burn: 2018

**3. Distance To Burn: 12,611**  
 Name Of Burn: CANYON  
 Size Of Burn: 36

**4. Distance To Burn: 13,408**  
 Name Of Burn: OLD TOPANGA  
 Size Of Burn: 0

Year Of Burn: 2013

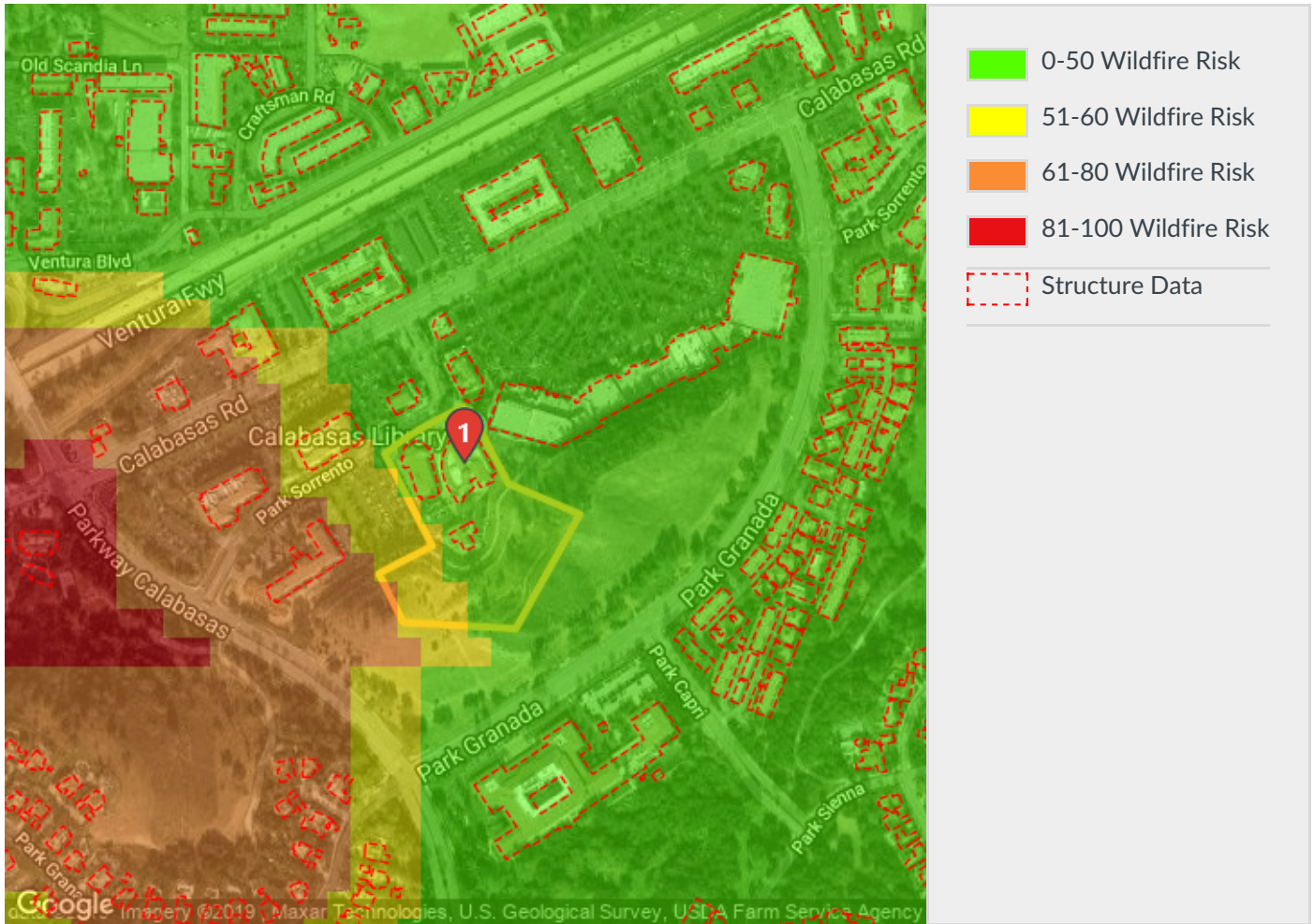
Year Of Burn: 2013

## 5. Distance To Burn: 21,154

Name Of Burn: STOKES

Size Of Burn: 42

Year Of Burn: 2017







Item No: F.1.

## **LEGIONNAIRE’S CONCERNS WITH REOPENED SCHOOLS**

### **INFORMATION ITEM**

**ISSUE:** Legionnaire’s Disease is a risk associated with reopening schools that may have stagnant water sources due to the prolonged pandemic shutdown. In addition to incubation in HVAC systems, the bacteria can also grow in showers, drinking fountains, and water features commonly found in playgrounds. Although young children are less at risk of Legionnaires’, older students, adults and people with compromised immune systems are vulnerable.

The attached notice is a copy and reminder of previous correspondence regarding this issue that members may have already distributed to their districts. It contains links to CDC guidelines for addressing this issue and a reminder that this is a “pollution” exposure for insurance purposes.

A link to a recent New York Times article on this subject is also referenced in attachments

**RECOMMENDATION:** Review and distribute to member school districts as needed.

**FISCAL IMPACT:** None.

**BACKGROUND:** While schools are largely empty during the summer activities still take place such that this has not been a key risk of restarting school in the past. However, with the unprecedented shutdown of all school activity for an extended period of time the Legionella bacteria has been an issue in schools reopening.

**ATTACHMENTS:** Legionnaire’s Disease and COVID-19 Reopening Concerns

<https://www.nytimes.com/2020/08/27/health/covid-schools-legionnaires-disease.html>



## Legionnaires' Disease and COVID-19 Reopening Concerns: *Know the Facts*

**In the midst of the global pandemic we now find ourselves facing another potential public health threat. Recently, many educational facilities have been struggling with discovery of Legionella pneumophila in water systems which have, due to a curtailed school year in mid-March 2020, grown largely stagnant and untreated.**

Obviously, COVID-19 has demonstrated its lethality and pervasiveness throughout all sectors of life, but in particular, children returning to school has tested the resilience of families and communities. The new normal dictates the wearing of masks, washing hands and practicing safe distancing. Social inflation, the concept of trends and views toward increased litigation, broader contract interpretations, plaintiff friendly legal decisions and larger jury awards, has also played a part. Schools have spent valuable resources on appropriate plans for dealing with potential outbreaks and contingency plans. What public works departments, property managers and school administrators were surprised to learn is that they were also unintentionally exposing their student-bodies to another potentially deadly illness.

Legionnaires' disease can result in severe financial and public relations consequences and ultimately insurance claims. Legionnaires' disease is caused by the presence and dispersal of +/- 40 strains of bacteria. The disease manifests itself in fever, chills, cough, muscle pain, headaches and diarrhea and is often mistaken for pneumonia. First named after a 1976 outbreak at an American Legion convention in Philadelphia, symptoms of Legionnaires' disease may appear anywhere from two to fourteen days after exposure.

The bacteria incubates in heating/ventilating/air conditioning (HVAC) systems, including cooling towers, however showers, drinking water fountains and public water features have also shown to be the causal link for outbreaks. Although common in natural water sources such as rivers, lakes and reservoirs they may also be found in purpose-built water systems such as cooling towers, evaporative condensers, hot and cold-water systems and spa pools. Nearly 50,000 people were infected with Legionnaires' disease between 2000 and 2015, and legionella can be fatal in one in 10 cases according to the U.S. Centers for Disease Control and Prevention (<https://www.cdc.gov/coronavirus/2019-ncov/php/building-water-system.html>).

CDC published, Guidance for Reopening Buildings After Prolonged Shutdown or Reduced Operation, to ensure the safety of your occupants and building water system and devices on May 7, 2020, more information can be found here: <https://www.cdc.gov/coronavirus/2019-ncov/php/building-water-system.html>

In many cases, the sources of Legionella contamination can be resolved from a physical plant perspective by shut down and bleaching of the infected systems. Some experts have indicated that the methods for controlling the impacts to water



systems can be on a continuum from very involved and expensive to time consuming, including: temperature control; utilizing biocides, physical methods (flushing) to infrastructure replacement.

In the event of an occurrence of Legionella, the resulting impact can have far-flung financial and reputational consequences, including:

- Extensive investigation of the source(s) and costly shut-down
- Loss of use
- Reputational damage
- Public relations expense
- Liability to victims for medical, death and related expenses
- Attorney fees
- Civil lawsuits

There are at least 20 Legionnaires' outbreaks reported — and about 5,000 cases diagnosed — every year, according to the Centers for Disease Control and Prevention (cdc.gov).

Liability for an outbreak extends beyond the individual school, the district could be possibly held legally liable, as well as other stakeholders, including but not limited to; school boards, administrators, property managers and contractors.

To learn more about the mitigation of Legionnaire's disease in schools (and other facilities) and other environmental risks, contact [construction@alliant.com](mailto:construction@alliant.com) or:

### Bill Nellen

#### Executive Vice President,

Alliant Insurance Services, Inc.

[bnellen@alliant.com](mailto:bnellen@alliant.com)

D: 470 237 3030

C: 404 271 0541

In addition to good prior planning and overall risk management, pollution liability (PLL) insurance may provide additional protection for these exposures. Since these types of financial losses would not be covered under Property and Commercial General Liability policies, PLL offerings can be used to fill a substantial gap. Commercial insurers write in excess of \$2B in premiums of these types of policies annually. Coverage offered can include:

- 1st Party: Investigation and clean-up/ remediation of pollution incidents (including mold, legionella and other indoor air threats)
- Diminution of Value (1st and 3rd Party)
- 3rd Party Liability: Bodily Injury / Toxic Tort/ Property Damage
- Defense Costs
- Business Interruption / loss of rents
- Image restoration / public relations support
- Terrorism (including biological)

Alliant offers a wide array of environmental policy solutions that fit your business needs. Pollution policies are available starting at \$5,000 a year.

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P&C

# Insuring Wildfires: The Point of No Return?

California wildfires, a gray-rhino event, and what they can tell us about the future.

BY JACK SULLIVAN    POSTED ON OCTOBER 5, 2020



**“Gray rhino” is a term coined by American policy analyst**

# Michele Wucker in reference to events that are high in probability and impact, but often ignored.

This term has recently found bandwidth within the insurance industry, especially as it relates to climate change-related catastrophe risks such as the ongoing wildfires in California, Oregon, and Washington.

To date, 3.7 million acres have burned in California this season, leaving miles of charred debris. This amounts to 10 times the total acreage burned at the same time last year, and more than ever recorded in an annual year. The total scorched land area equates to roughly 3% of California's total land acreage, a shocking statistic.

Loss estimates are reported by Moody's to be between \$5 billion-\$8 billion, but have the potential to change, especially if business interruption or civil authority claims are rewarded in response to stay-at-home mandates issued due to dangerously unhealthy air quality levels. Litigation has typically sided with insurers against such claims unless the civil authority coverage expressly includes wildfires in its language, similar to what we are seeing with COVID-19 related coverage.

California's devastating fires of 2018 amassed \$11.4 billion in damages and destroyed 14,000 homes. Loss estimates for this year's wildfires are yet to be determined, as the fires have damaged or destroyed roughly 6,000 homes to date. Additional damages in Oregon and Washington only add to concern for larger losses. According to Moody's, the average structure value is \$826,000, which would put the current loss total north of \$5 billion in California alone, according to updated numbers from California's Department of Forestry and Fire Protection's incident report.

The economic toll of these fires is clear and will be increasingly felt by all as the frequency of severe, far-reaching wildfires grows each year.

## Increasing Severity

While the total losses from wildfires are far less than hurricanes, they have become both more frequent and severe in their impact. For California, the nation's most populous state, the anxiety for this newly classified major peril is considerably heightened.

One reason for the increase in wildfire severity ironically lies in the fact that we allow them to occur less often. A wildfire can be a healthy and natural occurrence; burning away debris and brush replenishes soil fertility and responsibly eliminates combustible materials that, left unattended for too long, can create a tinderbox. So when we stop one fire, we leave more naturally combustible fuel for the next if it is not removed or burned. Combustible materials compound when we are lax in removing debris and utilizing prescribed burns. This year's wildfire season risk was made especially worse as prescribed burns were halted in the spring in fear that smoke could trap particles and facilitate the spread of COVID-19.

Most of California's two million at-risk homes have been built in the Wildland-Urban Interface (WUI), which has expanded rapidly and consistently in response to staggering housing costs in many of the state's urban centers. In total, 11 million people live in the zone. This underscores the other critical factor of human involvement, as more people now live in areas with high risk to wildfires.

As a result of failing fire mitigation practices and increased development into fire-risk areas, California wildfires have increased a staggering eight times in size since the 1970s.

Finally, increasing temperatures and drier conditions breed more destructive and harder-to-contain fires. These higher temperatures also lead to warmer waters, increasing the likelihood of lightning storms further north into the state, as evident in this year's LNU Lightning Complex. These same warm-water conditions pushed Typhoon Bavi abnormally north into Korea. These factors are increasing the size of at-risk zones, and not just in California.

## **Public/Private Coordination**

Increased severity aside, part of what makes wildfires so challenging is the necessity of cooperation and efficient coordination across private, state, and federal lands. For example, if private land owners take sufficient action to remove combustible debris from forest floors and routinely practice prescribed burns, but neighboring state or federal land fails to do so, their

efforts are undercut, especially when one considers the ability of ash to jump from one fire to another area, igniting a new fire altogether.

Fighting wildfires has never been a fully state-funded, government-only endeavor. Today, at the LNU Lightning Complex, 80% of the bulldozers used are privately operated. The growth of for-hire firefighting teams, oftentimes employed by insurers for high-value properties, has faced backlash due to potential interference of public firefighting duties. If insurers are not allowed to take on a greater role in high-risk areas, they might forgo providing coverage in those areas altogether.

Increased membership in the state-sponsored insurance program called the FAIR Plan—which serves citizens who have not been able to attain coverage in voluntary markets—and skyrocketing prices mean more and more policyholders are likely decreasing their overall coverage, creating insurance gaps that will negatively impact the resiliency of communities to catastrophe.

The steady involvement of insurers, brokers, and risk management professionals could mend the insurance gap, which continues to grow, and build stronger cooperation between these differing land ownership structures.

## Market Impact

All of this has made California an increasingly difficult market to navigate. “The state has imposed ill-conceived new rules on insurers, temporarily barring them from refusing to renew policies in high-risk areas. And regulators are discouraging the industry from using fire risk as a reason to turn down business anywhere in the state,” according to a recent article by *The Economist*.

The state has the “authority to reject or reduce rate increases” and “often faces pressure from voters” to do so. Without the ability to accurately price risk, insurers are being asked to blindly accept deals in an area which could bring them staggering losses. Because California often prevents accurate rate increases, some carriers and reinsurers are losing appetite for the region’s property market.

After the 2019 wildfire season, prices charged by reinsurers rose by 70% in some cases. Other reports for different lines of business saw increases two-to-three times the previous year’s

levels. More recently, conversations among the reinsurance industry have alluded to a potential zero appetite for risk in California fire regions if damages were to exceed 2018 and 2019 levels. This loss of risk appetite could be exaggerated by the effects of COVID-19 on European-based reinsurance firms, which play an active role in the California property reinsurance markets. If reinsurance capacity recedes, available coverage may as well. This change on capacity weighs heavily on over two million properties identified as at high or extreme risk of wildfire.

The CAT bond market could see an increased role in absorbing risk reinsurers no longer wish to take, but the effects of this increased role remain to be seen and likely do not have the potential to replace reinsurance altogether.

“The insurance crisis in California wildfire country is showing few signs of abating. Rates are shooting up and experts say the problem defies easy remedies,” according to Dave Kasler, reporting locally for the *Sacramento Bee*. These rural areas, like many in the country, have also seen an influx of residents relocate in response to COVID-19.

“California temporarily banned insurers from canceling policies on some 800,000 homes in or near risky parts of the state,” according to *The New York Times*. However, with this ban about to expire, a new mass-exit from the market could be in store. California is clawing to keep carriers in the region, but is doing little to help them do so in any manner that meets their interests.

Carriers and brokers are left with a tricky situation of speculation, while insureds find themselves staring at figures several times higher than what they paid just a few years ago. Will we see a transition in which thousands of previously insured homes are given an asterisk, deeming them too risky to insure?

Will development in the Wildland-Urban Interface stop? Probably not, and so carriers and brokers must find a consistent relationship of longevity between risk allocation and expansive risk management practices. Coordination with the state remains crucial for these steps to be effective.

Famed economist Milton Friedman once said the purpose of the corporation is “to use its resources and engage in activities designed to increase its profits.” To many, adjusting for climate change clashes with this mindset. But as recent wildfires have demonstrated in



California, the industry could be fast approaching its threshold, beyond which profits are lost if the issues are not confronted more directly. Black swans can be ignored because they are anomalies in a game of frequency, but gray rhinos are different, and should be treated as such.

*Jack Sullivan is a recent graduate of Wofford College and is completing a post-graduate internship with The Council.*

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See More: [NATURAL CATASTROPHE](#) [REINSURANCE](#)

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## TRENDING

**1** P&C  
**Power Shifting**

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**2** P&C  
**AI Gets Into the (Golf) Swing**

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**3** P&C  
**Calculated Risks**

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