

# Redefining the Wildfire Problem



**Making our homes ignition resistant means...**



**Montana 2003**



**having extreme wildfires without WU fire disasters.**



**Regardless of the distance lofted from the wildfire, firebrands only generate ignitions at their location of accumulation.**





**Commonly communities burn by fire spreading through residential fuels – the vegetation and structures within the community.**

**Homes ignite and burn hours after significant wildfire activity has ceased at the community edge. The community continues to burn without the wildfire!**

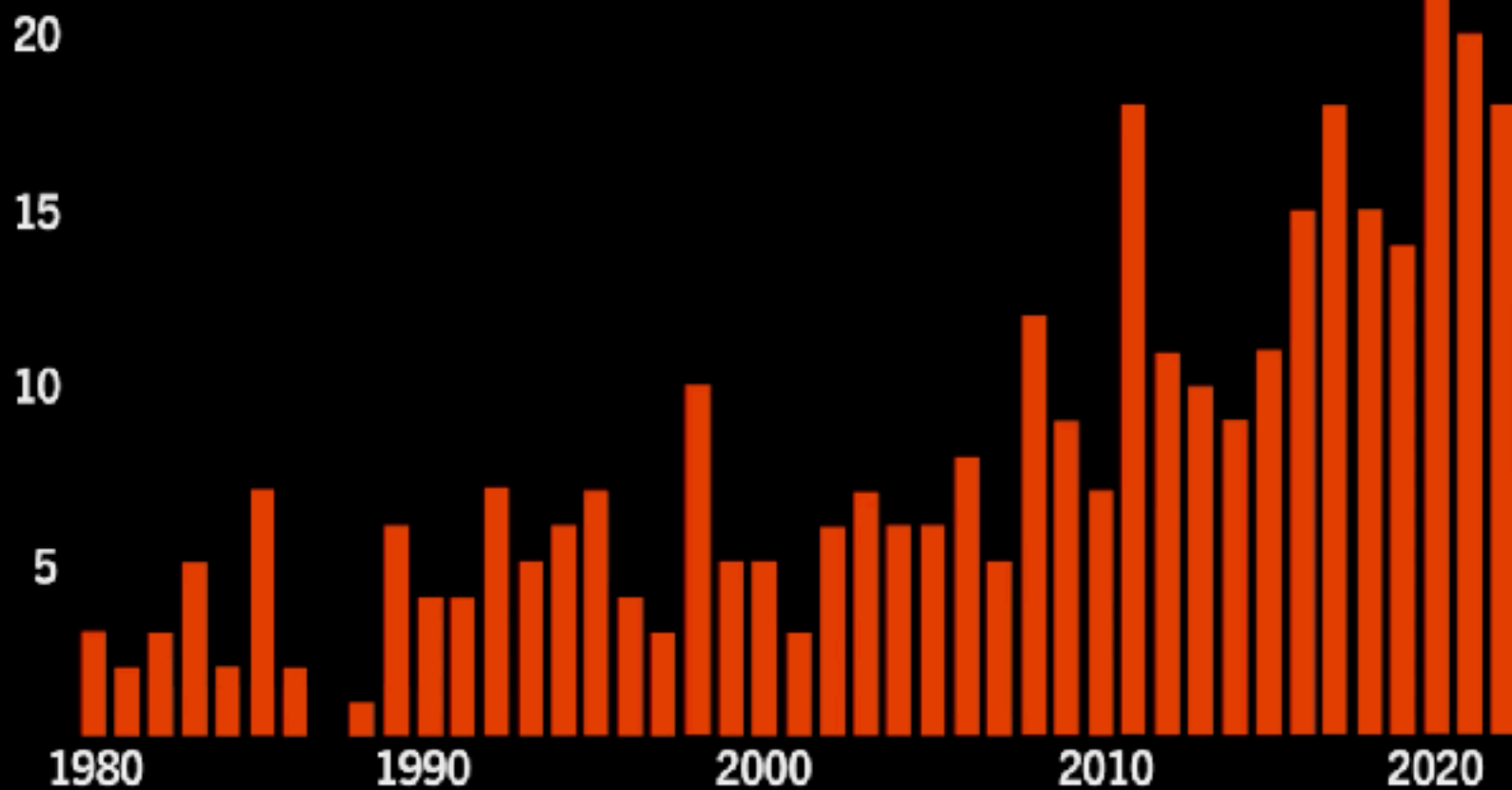




**19,000 STRUCTURES**

**> \$10 BILLION**

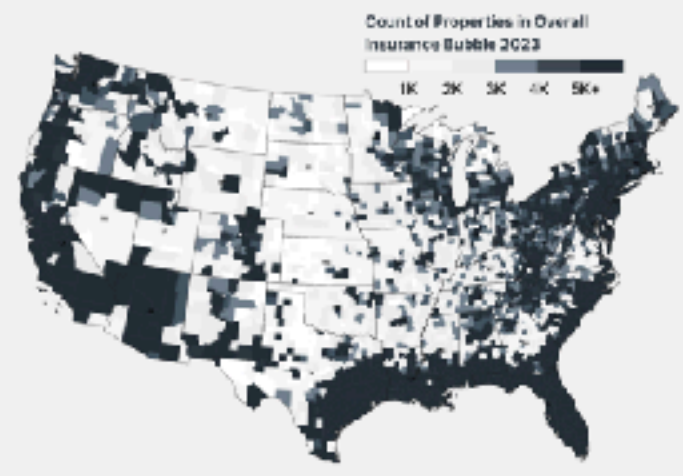
# BILLION DOLLAR DISASTERS PER YEAR, U.S.





PRESS RELEASE

# 39 million properties are significantly overvalued due to artificially suppressed home insurance costs



SEPTEMBER 20, 2023



**Brooklyn (NY)** – Today First Street Foundation has released a report, entitled “The 9th National Risk Assessment: The Climate Insurance Bubble”, highlighting the contribution of underpriced insurance, driven by regulation and compounded by climate change in the real-estate market. Across the United States, 39 million properties are at high risk of flooding, wildfires, and hurricane winds which have yet to be reflected in the insurance premiums they pay.

Among those at risk, 12 million properties have significant flood risk outside of the public facing FEMA flood zones, 23.9 million properties are in areas with a high likelihood of destructive 3 second wind gusts, and 4.4 million properties are concentrated in zip codes where wildfire risk is so great that an average of at least 10 structures are expected to burn down every year. All of these properties are in addition to the 6.76 million properties that have such great risk that no insurance company will provide them coverage, driving them to the state run insurer of last resort.

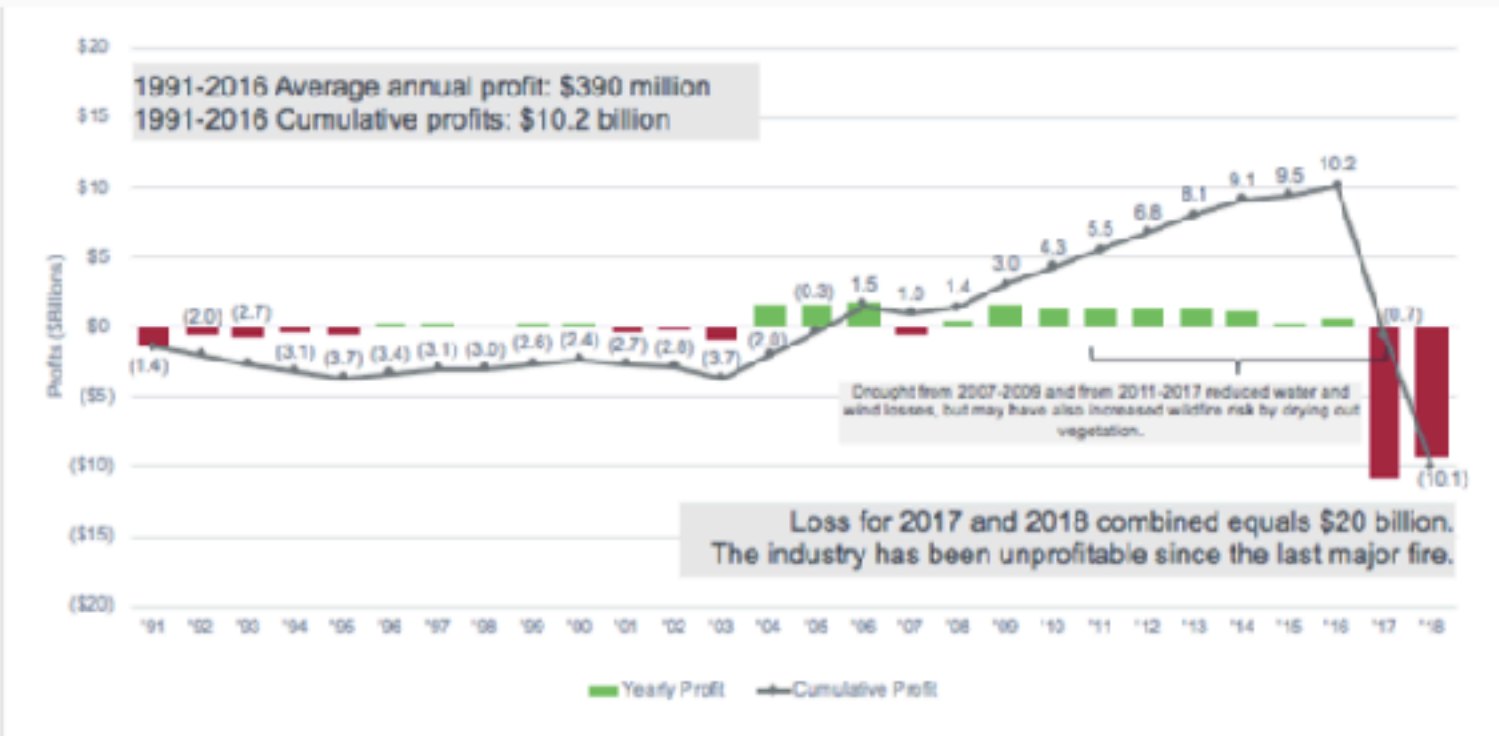
### Example Impact of Increased Cost

	Current	Repricing after insurance adjustment 2023	Repricing for estimated future insurance risk
Annual rent	\$21,000	\$21,000	\$21,000
Homeowners Insurance	-\$1,436	-\$3,200	-\$5,426
Other building costs	-\$4,734	-\$4,734	-\$4,734
Net Operating Income (NOI)	\$14,830	\$13,066	\$10,840
Cap rate	5%	5%	6%
Property Value (NOI/cap rate)	\$296,600	\$261,320	\$180,667
Difference		<b>-\$35,280 (-11.9%)</b>	<b>-\$115,933 (-39.1%)</b>

Table 10. Example of increased cost of home ownership's impact on property values due to insurance rates in CA

Excluding the effects of reinsurance or other recoveries, Milliman estimates that the 2017 wildfire season alone wiped out just over 10 years of underwriting profits for California homeowners insurers, and that the combined 2017 and 2018 wildfire seasons wiped out about twice the combined underwriting profits for the past 26 years, leaving the insurance industry with an aggregate underwriting loss of over \$10 billion for the California homeowners line of business since 1991 (see Fig. 1).

**Figure 1: California homeowner estimated industry profits since 1991**



Source: Milliman Estimates, based on P&C Combined Industry Annual Statement data from SNL and data from the California





**Institute for Business and Home Safety**



# WILDFIRE PREPARED

— A PROGRAM OF IBHS —

## BASE RETROFIT EXISTING HOMES

### 5-FOOT HOME BUFFER

- ✓ Remove ALL vegetation, trees including overhanging branches, grass/turf, wood/rubber mulch, and any stored items within 5 feet.
- ✓ Replace 5 feet of wood/vinyl fencing within 5 feet of the home with metal fencing.
- ✓ Do not store or permanently park anything in this area.
- ✓ Routinely clear tree debris.

### PREPARE HOME

- ✓ Routinely clear tree debris from roof and gutters
- ✓ Ensure roof is Class A fire-rated & gutters are made of metal
- ✓ Install ember-resistant vents or cover them with 1/8" metal mesh
- ✓ Ensure a 6-inch vertical noncombustible material at base of walls & decks

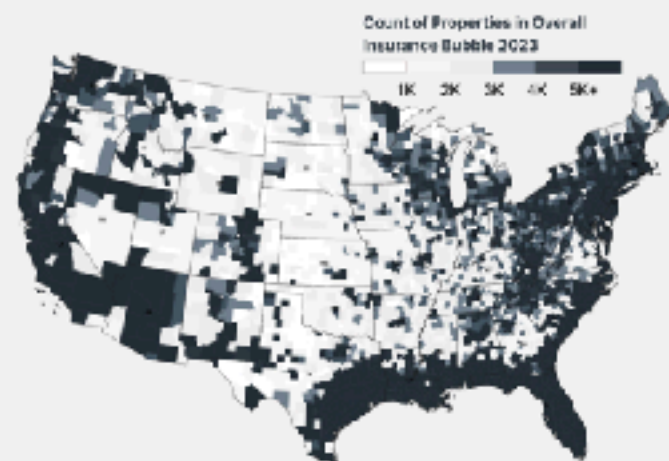
### MAINTAIN THE DECK AND YARD (Within 30 feet)

- ✓ Decks: Routinely clear tree debris, replace combustible furniture, & maintain the underdeck area; enclose low-elevation decks
- ✓ Yard: Regularly clear debris, pruned and spaced trees/vegetation, move firewood & large propane tanks to 30+ feet
- ✓ Place structures at least 10 feet away and maintain the 5-foot noncombustible buffer around them\*



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