

Overview

With insurance becoming an increasingly important topic for both wildfire practitioners and Washington residents, the Washington Fire Adapted Communities Learning Network (WAFAC) hosted a four-part Insurance Learning Group series. The sessions were open to anyone involved in Fire Adapted Communities (FAC) who wanted to better understand the role of insurance in addressing wildfire and other natural hazards.

The series was created in response to conversations during WAFAC's 2023 Annual Workshop, where participants raised concerns about losing insurance coverage in wildfire-prone areas. Drawing on a survey of member questions, the sessions explored how the insurance industry operates, how fire risk is assessed, and the current state of the property insurance market. The goal was to deepen understanding between insurance providers, consumers, and community fire practitioners, and to identify potential solutions.

Participants were also invited to share their concerns and topics of interest to help shape future learning opportunities.

Key Takeaways and Lessons Learned

Challenges and changes in wildfire risk assessment are leading to insurance availability and affordability issues.

Homeowners in Washington are extremely concerned about occurrences of policy non-renewal, increasing premiums, and tightening underwriting standards. Why are these issues arising?

Wildfire has been around forever, but levels of loss, especially in the WUI, have increased. We are in the midst of drastic environmental and economic changes that are driving loss higher. Increases in fuel loading, more fire-susceptible development in fire prone landscapes, longer fire seasons, and rising vapor pressure deficits are leading to more intense fire behavior that increasingly cannot be stopped by fire fighters. Inflation, and the increased cost of construction materials and labor, are also contributing to economic pressures on insurance companies.

Across the country, insurers are paying out more than they are taking in, causing them to non-renew policies in areas of higher risk and/or increase premiums. Some companies that only insure in Washington are at risk of being completely wiped out by one big disaster. Further, once one insurer cuts back, other companies in the area have to take on those properties and risk. Finally, their own reinsurance rates are increasing, further driving up costs.

So, what makes for a sustainable insurance industry?

Availability

- Insurers can predictably measure and manage the risk
- Insurers can charge premiums that represent the cost of the risk transfer

Affordability

- Policyholders are willing to pay the price offered to transfer the risk
- Policyholders can pay the premium

Reliability

- Insurers will be able to pay claims
- System will be stable over the long term

This can be achieved through a cycle of continuous improvement that includes: Communication, Mitigation, and Measurement. Insurers and homeowners need meaningful, shared evidence-based standards for mitigation that exist within a system that fosters transparency and visibility.

Where do we start to disrupt the fire spread and loss sequence?

1. Put the fire out. Strategically remove any of the components that cause fire: oxygen, heat, and fuel.
2. Disrupt fire propagation routes. Stop fire from spreading to and burning values at risk by addressing convection, radiation, conduction, and direct burning.
3. Slow the propagation. Address the speed of spread by directing attention to topography, fuels, and meteorology.

We cannot simply suppress, price, or regulate our way out of these rising wildfire threats; mitigation is a key component.

Until recently, the amount of structure loss from wildfire events was relatively stable and a relatively low cost comparative risk to other natural disasters. Understanding the loss sequence was not necessarily as imperative as it is now.

Today, helping community members and homeowners to understand how to disrupt the loss sequence, and then increasing the visibility of those actions to insurers so that they can put

value to those mitigations is key in setting up a system that will see less loss and ensure homeowners that take mitigative actions see the dividends.

The gold standard for home mitigation in the eyes of insurers is the Wildfire Prepared Home certification, an evidence-based program developed by the Insurance Institute for Business & Home Safety (IBHS). However, while parcel-level mitigations are important, mitigation needs to be adopted on a community level as well. Everyone needs to buy in. Firewise USA and Fire Ready Neighbors are valuable mitigation programs being used in Washington.

Across the board, we need a better common understanding of mitigation in the WUI, including shared best practices or “mitigations-that-matter.” Until we change conditions on the ground, we’re not going to see significant positive change.

Data needs for bending down risk in the WUI.

In addition to developing a core set of “mitigations-that-matter” that are accessible to homeowners, there are several other areas we can increase our understanding of wildfire risk and as a result, improve wildfire risk assessment for both homeowners and insurers.

- Structure-to-structure spread modeling
- WUI Response rating
- Parcel-level mitigation data
- WUI data commons
- Fire Pathway modeling (structure-to-structure, vegetation-to-structure, vegetation-to-vegetation)
- Fire spread modeling

Changes are needed to protect homeowners and stabilize the insurance market, but luckily we have done this before.

The Washington Legislature is relatively new to engaging solutions for rural and urban wildfire threats. However, the Washington Legislature is listening to constituencies and starting to engage issues of wildfire insurance and community and resident wildfire mitigation.

Senate-House Bill 1539 addressing wildfire protection and mitigation standards will establish a stakeholder workgroup to develop evidence based recommendations on wildfire mitigation and resiliency across five key areas by the end of 2025 (Summary details).

In 2024, the Legislature passed ESB 6120.SL the Wildland Urban Interface (WUI) Code - which directs the Department of Natural Resources to develop wildfire hazard and risk maps by June 2026. These maps will help guide local municipalities in implementing required resident mitigation measures (RCW 19.27.560) in areas designated as higher risk.

As with similar legislation in Oregon, fire practitioners, insurance companies, and residents have expressed concerns about how the process will be carried out. Ensuring fairness, transparency, and broad engagement (across individuals, the insurance industry, and communities) is seen as essential to achieving meaningful reductions in wildfire losses.

In the 1960s and 1970s, the National Commission on Fire was established in

response to high rates of fatalities and property loss from residential fires. The Commission's landmark America Burning report laid out a national strategy to address these risks. Fifty years later, using science, regulation, and best practices, residential fires now account for less than 1% of emergency call volume—a testament to what can be achieved when we make a long-term commitment and come together to solving a complex problem.

Resources

Insurance Learning Group Webinars and Resource Guide

Visit the WAFAC website to watch all four webinars and check out the Learning Series Resource Guide.

Ecosystem of Insurance Overview

Review the company types, roles and relationships that make up the ecosystem of wildfire insurance.

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