WHAT THE INSURER CONSIDERS
UNDERWRITING LAWS

- Eligibility guidelines for new and renewals must have an objective relation to the insured’s relative loss exposure – they must not be unfairly discriminatory.

- The insurer must provide 45 days notice of nonrenewal.

- And provide the applicant or insured with the specific reason for the declination or nonrenewal.
INSURANCE RATES

- Based on past experience
- Projected for the upcoming year
- Loss results for the insured population are segmented for separate consideration of the results for each rating factor (examples):
  - Age of home
  - Protection class
  - Type of roof
  - Wildfire score
- Catastrophe losses are placed into 20+ year average and applied to the non-cat losses
In the last 4 years CFP policies written in Brush/Wildfire areas has increased from 22,397 policies to 30,432 policies – a 36% increase.

<table>
<thead>
<tr>
<th></th>
<th>12/31/2014</th>
<th>12/31/2015</th>
<th>12/31/2016</th>
<th>12/31/2017</th>
<th>change from 2014 to 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No B/W Exposure</strong></td>
<td>98,194</td>
<td>95,282</td>
<td>91,277</td>
<td>86,561</td>
<td><strong>-11,633</strong></td>
</tr>
<tr>
<td><strong>Low B/W Exposure</strong></td>
<td>6,096</td>
<td>6,281</td>
<td>6,220</td>
<td>6,176</td>
<td><strong>80</strong></td>
</tr>
<tr>
<td><strong>Urban</strong></td>
<td>104,290</td>
<td>101,563</td>
<td>97,497</td>
<td>92,737</td>
<td><strong>-11,553</strong></td>
</tr>
<tr>
<td><strong>Medium B/W Exposure</strong></td>
<td>18,536</td>
<td>20,456</td>
<td>23,039</td>
<td>26,163</td>
<td><strong>7,627</strong></td>
</tr>
<tr>
<td><strong>Extreme B/W Exposure</strong></td>
<td>3,861</td>
<td>3,965</td>
<td>4,154</td>
<td>4,269</td>
<td><strong>408</strong></td>
</tr>
<tr>
<td><strong>Brush</strong></td>
<td>22,397</td>
<td>24,421</td>
<td>27,193</td>
<td>30,432</td>
<td><strong>8,035</strong></td>
</tr>
<tr>
<td><strong>Dwelling Total</strong></td>
<td><strong>126,687</strong></td>
<td><strong>125,984</strong></td>
<td><strong>124,690</strong></td>
<td><strong>123,169</strong></td>
<td><strong>-3,518</strong></td>
</tr>
</tbody>
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<th>change from 2014 to 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban % of book</strong></td>
<td>82.3%</td>
<td>80.6%</td>
<td>78.2%</td>
<td>75.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Brush % of book</strong></td>
<td>17.7%</td>
<td>19.4%</td>
<td>21.8%</td>
<td>24.7%</td>
<td></td>
</tr>
</tbody>
</table>

- No B/W Exposure - Fireline Scores 0 - 1 and SHIA = No
- Low B/W Exposure - Fireline Scores 0 - 1 and SHIA = Yes & Fireline Scores 2 - 3 and SHIA = Yes or No
- Medium B/W Exposure - Fireline Scores 4 - 12 and SHIA = Yes or No
- Extreme B/W Exposure - Fireline Scores 13 - 30 and SHIA = Yes or No
INSURANCE ISSUES THAT ARISE AFTER A WILDFIRE

- Demand Surge
- Underinsurance
- Lack of available housing, labor
- Inventory of Personal Property
- Time limitations on coverages

A separate concern, impact on the community...
NEW ENTRANTS? NEW SCIENCE?

Will new insurers enter into the high risk market to write the best of the risks that the current insurers miss?
e.g., Spinnaker

Will new technology or updates to existing models provide more detailed analysis to identify the best of the risks that the current models miss?
e.g., Weather Analytics, FireLine 5.0, CoreLogic 7

Solutions posed in the Insurance Innovations session? Underwriting Drones? Non-combustible construction?