SENATE BILL REPORT
SB 5928

As of January 13, 2026

Title: An act relating to wildfire risk models and wildfire risk score disclosure.

Brief Description: Concerning wildfire risk models and score disclosure.

Sponsors: Senators Warnick and Short; by request of Insurance Commissioner.

Brief History:

Committee Activity: Business, Trade & Economic Development: 1/15/26.

Brief Summary of Bill

- Specifies requirements and procedures for authorized property insurers in disclosing to applicants and insureds wildfire risk scores and risk classifications, revising such scores and classifications, and handling appeals.
- Specifies requirements for insurers using wildfire risk models, catastrophe models, or scoring methods in filing rates with the Office of the Insurance Commissioner (OIC), in underwriting and pricing, and in publicly disclosing information.
- Provides for confidentiality and an exemption from public inspection requirements for certain information.
- Authorizes OIC to adopt rules.

SENATE COMMITTEE ON BUSINESS, TRADE & ECONOMIC DEVELOPMENT

Staff: John Kim (786-7453)

Background: In 2025, the Legislature created a wildfire mitigation and resiliency standards work group (work group) to study and make recommendations on such standards

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

to the Legislature. The work group was co-chaired by the Insurance Commissioner and the Commissioner of Public Lands for the Department of Natural Resources and included members and *ex officio* members from various stakeholder groups.

The Legislature required the work group to develop recommendations in five areas. One area was specified as improving transparency for consumers regarding wildfire hazard and risk, including through disclosures to policyholders for insurance policy nonrenewals primarily related to wildfire risk, with the intent of increasing the availability of insurance, decreasing nonrenewals, and enhancing market stability informed by industry and consumer data.

The work group published its final report to the Legislature in December 2025. Regarding wildfire hazard and risk transparency, the report concluded there were some areas of alignment but divergent perspectives across participants.

Summary of Bill: <u>Insurer Requirements Relating to Wildfire Risk Scores and Risk Classifications.</u> *Disclosure.* An insurer authorized in this state that uses a wildfire risk score relating to property insurance and in connection with either the underwriting of real property regarding eligibility for coverage, or in rating of real property to generate a premium, or both, must provide the applicant or the insured, and the relevant insurance producer, the following information:

- the current wildfire risk score of the property to be covered;
- the range of possible wildfire risk scores under the model used;
- the name of the person or entity that created the wildfire risk score for the property;
- the date on which the wildfire risk score was created for the property; and
- the key factors that adversely contributed to the wildfire risk score of the property and steps the consumer can take to improve it.

An insurer must provide such information in writing and in plain language to the property owner no later than 15 days after a decline or acceptance of property coverage the consumer applied for. It must be provided within a renewal, nonrenewal, or cancellation notice.

A wildfire risk score is defined as a numerical value, rating, or categorization derived from a statistical tool, modeling system, algorithm, or other process used for the purpose of predicting the future wildfire-related insurance loss exposure of a property to measure or assess wildfire risk for a residential property for the purposes of property evaluation in either underwriting or rating, or both.

Revised Wildfire Risk Scores or Risk Classifications. An insurer must provide a revised wildfire risk score or wildfire risk classification no later than 30 calendar days after receipt of a policyholder's or an applicant's documentation that since the last evaluation, the policyholder or applicant:

- has completed a property-specific mitigation action to reduce the risk of loss; or
- provides evidence of a community-level mitigation action in sufficient proximity to

the property to reduce the risk of loss.

Right to Appeal a Wildfire Risk Score or Risk Classification. A policyholder or applicant for a property insurance policy may appeal an inaccurate wildfire risk model score, wildfire risk classification of the property, or applicable mitigation discount directly to the insurer if the policyholder or applicant provides evidence of the property-specific or community-level mitigation action. The insurer must notify the policyholder or applicant of this right to appeal when the score, classification, or discount is provided to the policyholder or applicant.

The insurer must acknowledge receipt of the appeal within ten calendar days and must respond in writing with a reconsideration and decision within 30 days after receipt of the appeal. If the appeal is denied, the insurer must forward a copy of the appeal and the insurer's response to the Office of the Insurance Commissioner (OIC) upon request.

<u>Insurer Requirements Relating to Wildfire Risk Models, Catastrophe Models, or Scoring Methods.</u> *Rate Filings*. As part of an insurer's complete rate filing, an insurer that uses any wildfire risk model or catastrophe model or scoring method to assign risk must provide to OIC the model or method to assign risk, including:

- a description of the model;
- the impact of the model on rates;
- an actuarial justification for all rating factors, including mitigation discounts offered; and
- an explanation of the use of the model in underwriting decisions.

A wildfire risk model is defined as a tool, instrumentality, means, or product, including a map-based tool, a computer-based tool, or a simulation, used by an insurer in whole or in part, to measure or assess the wildfire risk associated with a residential property or community for purposes of rating, classifying, or pricing based on wildfire risk or estimating risks or losses corresponding to the wildfire risk classifications.

To the extent data is available and as established by rule, an insurer must submit as part of its rate filings information on how and whether the models are used for either underwriting or rating account, or both, for statewide and local mitigation activities, such as forest treatment, investments in wildfire fighting and mitigation equipment, and utility wildfire mitigation activities.

Wildfire risk models may not be used to determine personal insurance rates, premiums, or eligibility for coverage unless the scoring models are filed with OIC. Wildfire risk models include all attributes and factors used in the calculation of a wildfire risk score.

An insurer that uses a wildfire risk model, a catastrophe model, or a combination of models must ensure the following factors are either incorporated in the wildfire risk model, catastrophe model, or combination of models or are otherwise demonstrably included in the insurer's underwriting and pricing:

- property-specific mitigation actions, such as establishing defensible space, incorporating building hardening measures, or receiving certification from an entity with expertise in mitigation of properties against wildfire; and
- community-level mitigation activities or designations, including forest treatment, other fuel reduction activities, and local fire protection efforts.

A property-specific mitigation action is defined as a science-based mitigation action as demonstrated by the Wildfire Prepared Home designation from the Insurance Institute for Business and Home Safety or by a similar mitigation program that includes a verification and certification process. A community-level mitigation action is defined as a science-based mitigation action as demonstrated by a community-level or neighborhood-level designation or certification or as undertaken by a government entity.

If an insurer does not incorporate property-specific and community-level mitigation actions into its models, the insurer must provide discounts to policyholders who can demonstrate that property-specific mitigation actions have been undertaken on the property or community-level mitigation actions have been undertaken in sufficient proximity to the property to reduce the risk of loss.

Confidentiality and Exemption from Public Inspection. Information filed regarding wildfire risk models, catastrophe models, or scoring methods is exempt from public inspection requirements. The information must be withheld from public inspection and kept confidential by OIC, and are considered trade secrets. Such information may be made public by OIC for the sole purpose of enforcement actions taken by OIC.

Public Disclosures. An insurer must post on its public website readily accessible information on the premium discounts, incentives, or other premium adjustments available to policyholders who undertake property-specific mitigation actions or provide evidence of community-level mitigation actions, and the process for appealing a wildfire risk score. The website must identify, as applicable:

- property-specific mitigation actions for the policyholder to undertake and community-level mitigation actions that could result in a discount, incentive, or other premium adjustment; and
- the amount of the discount, incentive, or other premium adjustment associated with each action.

Rulemaking by the Office of the Insurance Commissioner. OIC may adopt necessary implementing rules.

Appropriation: None.

Fiscal Note: Requested on January 7, 2026.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.