To require studies regarding insurance coverage for damages from wildfires, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

JULY 21, 2022

Ms. WATERS introduced the following bill; which was referred to the Committee on Financial Services

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A BILL

To require studies regarding insurance coverage for damages from wildfires, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Wildfire Insurance Coverage Study Act of 2022”.

SEC. 2. NATIONAL WILDFIRE RISK ASSESSMENT.

(a) STUDY.—The Administrator of the Federal Emergency Management Agency shall, pursuant to the authority under section 1371 of the National Flood Insur-
ance Act of 1968 (42 U.S.C. 4122), conduct a study re-

(1) identify trends in declarations for wildfires
under the Fire Management Assistance grant pro-
gram under section 420 of the Robert T. Stafford
Disaster Relief and Emergency Assistance Act (42
U.S.C. 5187), with respect to geography, costs,
probability, and frequency of wildfire disasters;

(2) identify mitigation practices that would as-
sist in reducing premiums for insurance policies cov-
ering damages from wildfires;

(3) identify existing programs of the Federal
Government and State governments that measure
wildfire risk and assess their effectiveness in fore-
casting wildfire events and informing wildfire re-

(4) analyze and assess the need for a national
map for measuring and quantifying wildfire risk.

(b) REPORT.—Not later than the expiration of the
12-month period beginning on the date of the enactment
of this Act, the Administrator shall submit to the Congress
a report regarding the findings and conclusions of the
study conducted pursuant to subsection (a), which shall
include a recommendation with regard to the need for a
national map referred to in subsection (a)(4).
SEC. 3. GAO STUDY REGARDING INSURANCE FOR WILDFIRE DAMAGE.

(a) Study.—The Comptroller General of the United States, in consultation with the Director of the Federal Insurance Office and State insurance regulators, shall conduct a study to analyze and determine the following:

(1) Existing state of coverage.—With respect to the existing state of homeowners insurance coverage and commercial property insurance coverage for damage from wildfires in the United States—

(A) the extent to which private insurers have, during the 10-year period ending on the date of the enactment of this Act, increased rates, cost-sharing provisions, or both for such coverage (after adjusting for inflation) and the geographic areas in which such increased rates, cost-sharing, or both applied;

(B) the extent to which private insurers have, during the 10-year period ending on the date of the enactment of this Act, refused to renew policies for such coverages and the geographic areas to which such refusals applied;

(C) the events that have triggered such increased rates and refusals to renew policies;
(D) in cases in which private insurers curtail coverage, the extent to which homeowners coverage and commercial property coverage are terminated altogether and the extent to which such coverages are offered but with coverage for damage from wildfires excluded; and

(E) the extent to which, and circumstances under which, private insurers are continuing to provide coverage for damage from wildfires—

(i) in general;

(ii) subject to a condition that mitigation activities are taken, such as hardening of properties and landscaping against wildfires, by property owners, State or local governments, park or forest authorities, or other land management authorities;

and

(iii) subject to any other conditions.

(2) REGULATORY RESPONSES.—With respect to actions taken by State insurance regulatory agencies in response to increased premium rates, cost-sharing, or both for coverage for damage from wildfires and exclusion of such coverage from homeowners policies—

(A) the extent of rate regulation;
(B) the extent of moratoria on such rate and cost-sharing increases and exclusions and on non-renewals;

(C) the extent to which States require homeowners coverage to include coverage for damage from wildfires or make sales of homeowners coverage contingent on the sale, underwriting, or financing of separate wildfire coverage in the State;

(D) the extent to which States have established State residual market insurance entities, reinsurance programs, or similar mechanisms for coverage of damages from wildfires;

(E) any other actions States or localities have taken in response to increased premium rates, cost-sharing, or both for coverage for damage from wildfires and exclusion of such coverage from homeowners policies, including forestry and wildfire management policies and subsidies for premiums and cost-sharing for wildfire coverage;

(F) the effects on the homeownership coverage market of such actions taken by States; and
(G) the effectiveness and sustainability of such actions taken by States.

(3) IMPEDIMENTS IN UNDERWRITING WILDFIRE RISK.—With respect to impediments faced by private insurers underwriting wildfire risk, what is or are—

(A) the correlated risks and the extent of such risks;

(B) the extent of private insurers’ inability to estimate magnitude of future likelihood of wildfires and of expected damages from wildfires;

(C) the extent to which need for affordable housing contributes to people relocating to more remote, heavily wooded areas with higher wildfire risk;

(D) the potential for wildfire losses sufficiently large to jeopardize insurers’ solvency;

(E) the extent to which, and areas in which, risk-adjusted market premiums for wildfire risk are so high as to be unaffordable;

(F) the manners in which the Federal Government and State governments can alleviate any of these impediments, including through—

(i) improved forest management policies to reduce wildfire risk;
(ii) improved data to estimate risk;

(iii) relocating homeowners from wildfire zones;

(iv) allowing insurers to charge risk-adjusted premiums for wildfire risk, combined with subsidized premiums for lower-income homeowners; and

(v) taking a last-loss position in reinsuring wildfire risk;

(G) the available policy responses if private insurers exit the wildfire coverage market and the advantages and disadvantages of each such response;

(H) the effects of lack of wildfire coverage or more expensive wildfire coverage rates, cost-sharing, or both—

(i) on local communities, including on low- or moderate-income property owners and small businesses;

(ii) by race and ethnicity;

(iii) on rebuilding in communities previously damaged by wildfires; and

(iv) on the demand for wildfire coverage by property owners;
(I) the effects of potential State prohibitions on termination of policies due to wildfire claims on insurer solvency; and

(J) the manner in which private insurers are modeling or estimating future wildfire risk.

(b) REPORT.—Not later than the expiration of the 24-month period beginning on the date of the enactment of this Act, the Comptroller General shall submit to the Congress a report identifying the findings and conclusions of the study conducted pursuant to subsection (a).