

STATEMENT OF PURPOSE

RS30962C1 / H0619

The purpose of this legislation is to address the challenges consumers are facing in obtaining affordable property coverage due to potential wildfire risk.

Property insurers across the country are contracting or withdrawing from certain areas due to an increased concern of wildfire exposure. Some states have seen a significant number of insurers leave the entire state. The issue is driven by the number of forest fires, the high volume of property burnt in other states, the inflationary cost to replace structures, and the skyrocketing cost of reinsurance to mitigate and spread the risk. As insurers contract, it causes market instability. Other insurers are forced to reconsider their market participation. Insurers who stay in less competitive markets face increased additional risks from the concentration of their exposure.

The proposal aims to improve and stabilize the market through two approaches. The bill creates an Idaho Wildfire Risk Reinsurance and Mitigation Pool and board. It is modeled after Idaho's successful High Risk Reinsurance Pool for health carriers and other state mitigation pools. It creates two funds managed by the board. One fund is to provide voluntary reinsurance for insurers who stay in the market in these challenged communities. An insurer would decide whether to cede the risk and pay a premium for the coverage. The second fund is to provide grants to assist consumers in hardening their homes against fire risks.

The Pool's two funds are funded from five sources. 1. Premiums paid by property insurers who voluntarily choose to buy the reinsurance coverage, 2. Future premium tax defined as $\frac{1}{4}$ one fourth of premium tax collected above \$135 million, 3. Moneys from the "Reduced Cigarette Ignition Propensity and Firefighter Protection Act Fund" allocated to the State Fire Marshal in sections 39-8904 and 39-8909, Idaho Code, not utilized for the processing, testing, enforcement and oversight activities under that chapter, 4. Federal grants or appropriations, and 5. A mechanism for an assessment of property insurers to cover any unanticipated reinsurance losses. The assessment potential incentivizes the insurers and the board to carefully manage the funds derived in the first four sources. If managed correctly, there would be no need for an assessment.

FISCAL NOTE

There is no negative fiscal impact to the state or any local units of government. There is a positive impact to the economy if rates are stabilized and coverage is accessible. There is an additional positive impact as homes are hardened and saved.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).