

*This blog post was co-authored with Dave Owen, at UC Law SF. The draft article this blog post series is based is [here](#).*

This is the sixth in a series of blog posts on our proposal to reform wildfire law in the United States. The first post is [here](#). The second post is [here](#). The third post is [here](#). The fourth post is [here](#). The fifth post is [here](#).

Insurance markets to protect homeowners against fire risks are teetering across the country, though particularly in California. In much of California, homeowners can only obtain insurance against catastrophic fire loss through a state-subsidized plan of last resort. While some may see the collapse of fire insurance markets as a useful tool to force people to move out of high-risk areas and take precautions against the risk of fire, we are skeptical of the benefits of any such collapse. First, we do not think politicians would allow such a collapse to occur – and the result instead could be price controls or massive public subsidies for homeowners, something that would be counterproductive from both a fire management and fiscal perspective. Moreover, the equity impacts of insurance collapse will likely fall hardest on poorer rural residents who need insurance for mortgage access and protection of their most important asset. Finally, insurance can provide a useful tool of regulation to reduce risk by encouraging home retrofitting and defensible space protection, in addition to government regulation.

But stabilizing insurance markets without addressing underlying risks in development in the WUI is just another form of public subsidy, and one that will be increasingly unsustainable. We therefore pair insurance stabilization with state and local government efforts to use land-use regulation to address the role of development in fire risks.

State and local governments would be eligible for federal support for fire insurance if they meet two conditions. First, they must have a land-use regulatory program (as discussed in our prior post) that is approved by the federal government as part of their state implementation plan approved under the Clean Air Act (as discussed in an earlier post). Second, they must also have state insurance regulations that meet best practices for managing catastrophic risks, including accounting for the current and future risks of wildfire. This second requirement is important so that the federal program does not just become a subsidy for state price caps or other policies that subsidize insurance for homeowners in general.

We are agnostic as to the form of federal support that might apply for fire

insurance. It might be reinsurance, and we discuss that option in more depth in the full article. But the basic conceptual point is that the federal government is better suited to manage the financial risks of large-scale catastrophic events than individual states. However, that federal support should be conditioned on state efforts to address risks and provide functional insurance markets.