



STAFF REPORT: Forest Fire Parametric Insurance

RECOMMENDATION:

By Motion:

The Board of Directors,

1. Approve the Forest Fire Parametric Insurance Pilot Program in partnership with The Nature Conservancy; and
2. Authorize the General Manager to execute the Pilot Fire Insurance Purchase Agreement on behalf of the Tahoe Donner Association; and
3. Authorize binding the recommended Forest Fire Parametric Insurance policy not to exceed \$60,000.

BACKGROUND:

Tahoe Donner staff, the Nature Conservancy (TNC), Willis Towers Watson, and Dave Jones, the Director of the Climate Risk Initiative at UC Berkeley School of Law and former California Insurance Commissioner, have been collaborating over the last several months on developing a pilot program and case study project.

The project is based on developing an innovative insurance product that considers the benefits of hazardous fuel reduction methods for wildfire risk reduction. These methods include mechanical and hand thinning, beneficial fire, creating fuel breaks, and other vegetation management strategies to minimize hazardous vegetation fuels.

Introducing an innovative insurance product aims to promote increased investment in large-scale hazardous fuel reduction projects and improve the insurance industry's understanding of the quantifiable benefits these projects provide regarding risk reduction. This understanding will encourage insurers to incorporate these benefits into their pricing and underwriting processes for new and existing insurance products.

The project includes grant funding to purchase this new insurance product through a purchase reimbursement agreement. TNC is the granting entity and will reimburse TDA for the insurance premium. TDA will test the process of obtaining and maintaining the wildfire insurance product. As the recipient of this reimbursement, TDA will report on this process's ease of use, impacts, and utility value.

TDA's role in this project is to be the insured entity. Tahoe Donner would bind this new insurance product and provide premium payment. Staff would continue to partner with the group, reporting on the policy's ease of use and impact on our annual renewal and providing data updates on fire mitigation efforts in the Tahoe Donner subdivision and open space.

This staff report is prepared for the board to consider formally approving the pilot program and partnership through a Pilot Fire Insurance Purchase Agreement and authorizing the Wildfire Parametric Insurance policy binding.



DISCUSSION/ANALYSIS:

Wildfires and their associated impacts have become a significant issue for all of California. In addition to the direct effects of wildfire, obtaining insurance has become a significant hurdle for many communities. This project aims to address this challenge by demonstrating to insurance companies that ongoing vegetation management is correlated with risk reduction.

This project focuses on ongoing vegetation management practices within TDA. As a pilot program involving diverse partners, including insurance companies, the Nature Conservancy, and TDA Forestry, it can change how insurance is obtained and utilized in California.

Parametric insurance differs from traditional indemnity insurance because it does not require proof of loss; it only requires confirmation that a specified event has occurred. In this case, the event is a wildfire on land covered by the policy. The policy pays a predetermined amount per acre, with funds available immediately. These funds can be used for any actions that Tahoe Donner considers appropriate.

One of the primary goals of this process is to show that long-term, large-scale vegetation management directly correlates to a reduction in risk for wildlife impacts. As part of obtaining this insurance product, Tahoe Donner demonstrated effective long-term and large-scale vegetation management practices, enabling the purchase of this insurance. Additionally, the insurance carriers provided information indicating that the premium costs were significantly reduced compared to a quote that did not have these practices in place.

In the long term, this project aims to enable communities that can demonstrate quantifiable vegetation management practices to access insurance, including policies that offer reduced premiums due to these practices. Tahoe Donner will utilize the information gathered during this process to renew its standard insurance, asserting that we are insurable and that risk reduction should be reflected in the premium.

OUTREACH:

Staff worked with Tahoe Donner's legal counsel to review and endorse the Pilot Program Purchase Agreement.

Outreach will incorporate awareness of this pilot program for TDA members. Additional media and public awareness outreach will occur.

FISCAL IMPACT:

TNC will provide the initial funding with no financial obligation from TDA. TNC has budgeted up to \$60,000 USD to cover the premium for this innovative wildfire insurance product. TNC agrees to reimburse TDA for the premium, provided the requirements outlined in this agreement are met. These minimal requirements relate to staff reporting on ease of use and impact.



RECOMMENDATION:

The recommended board action is as follows:

By Motion,

The Board of Directors,

1. Approve the Forest Fire Parametric Insurance Pilot Program in partnership with The Nature Conservancy; and
2. Authorize the General Manager to execute the Pilot Fire Insurance Purchase Agreement on behalf of the Tahoe Donner Association; and
3. Authorize binding the recommended Forest Fire Parametric Insurance policy not to exceed \$60,000.

Alternative(s) the Board may consider:

1. Postpone action and provide feedback and direction.
2. Table this initiative.

Staff does not recommend tabling the initiative given its short—and potential long-term benefits. TNC will cover the cost of the insurance policy entirely. Postponing the recommended action may impact grant availability and carrier interest.

ATTACHMENTS:

Exhibit A: Insurance Quote (to receive the week of Feb 24-28)

Prepared By: Jason Hajduk-Dorworth, Director of Administrative Services

Reviewed By: Annie Rosenfeld, General Manager

Board Meeting Date: February 28, 2025