SB 1540 -1, -4 STAFF MEASURE SUMMARY

Senate Committee On Natural Resources and Wildfire

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Meeting Dates: 2/10, 2/12

WHAT THE MEASURE DOES:

The measure establishes requirements for insurers using select risk management methods or models to assign risk to residential properties or communities by requiring submission of those models or methods to the Department of Consumer and Business Services (DCBS) for review and approval. It requires insurers to consider community-level or property-specific mitigation actions when assessing risk and provide lower insurance rates when such actions reduce risk. The measure also requires insurers to publish information on and disclose risk classifications, mitigation opportunities, discounts, and appeal rights, and establish an appeals process. This Act applies only to fire, casualty, property, and homeowners' insurance policies. It takes effect on the 91st day following adjournment sine die.

Detailed Summary:

Defines terms.

Requires insurers that use a catastrophe (CAT) model, wildfire risk model, or other wildfire risk scoring method for residential property or communities to submit the model or method to DCBS for approval. Requires submissions to include a description of the model or method, an explanation of how it affects rates, actuarial justification for all rating factors (including mitigation-related discounts), and an explanation of how the model or method is used in underwriting. Requires submissions to describe whether and how community-level or state-performed mitigation actions are incorporated and affirms that submitted information is confidential.

Requires insurers to incorporate applicable community-level and property-specific mitigation actions into their models or otherwise demonstrate that underwriting decisions and rates reflect those actions. Requires any insurer that does not to provide a premium discount, adjustment, or other incentive to policyholders who demonstrate completion of qualifying mitigation actions or the occurrence of qualifying community-level mitigation actions in sufficient proximity to reduce risk of loss.

Requires insurers to post on their public websites the process for appealing a wildfire risk classification or score and information describing available premium discounts, adjustments, or other mitigation-related incentives, including qualifying property-specific mitigation actions and corresponding incentive amounts.

Requires insurers that use a CAT or wildfire risk model, or that provide mitigation-related discounts or incentives, to provide written notice to applicants and policyholders. Specifies notice contents and timelines and requires an appeals process.

Permits the Director of DCBS and the State Fire Marshal to adopt rules and take any other actions necessary before the operative date of January 1, 2027, related to implementing these requirements. States that the Act only applies to policies of fire, casualty, property, and homeowners' insurance. Takes effect on the 91st day following adjournment sine die.

FISCAL: Fiscal impact issued

REVENUE: No revenue impact

ISSUES DISCUSSED:

- Similar measure HB 1182 (2025) in Colorado and its bi-partisan effort
- Similar measure SB 5928 (2026) in Washington
- Types of property and community-specific risk reduction work that could result in premium discounts
- Underwriting criteria for property

EFFECT OF AMENDMENT:

-1 amendment revises the definitions of "community-level mitigation action" and "property-specific mitigation action."

Detailed Summary:
Clarifies that a community-level mitigation action qualifies if it is certified by the State Fire Marshal or if it is undertaken by a local government or a state agency to reduce the risk of wildfire.
Clarifies that a property-specific mitigation action qualifies if it consists of recognized wildfire mitigation actions or if it results in compliance with Section R327, Wildfire Hazard Mitigation, of the Oregon Residential Specialty Code, or if it results in certification from the Insurance Institute for Business and Home Safety designating the property as a Wildfire Prepared Home.

-4 amendment includes changes in the -1 and revises requirements related to insurer wildfire risk modeling, mitigation recognition, policyholder incentives and disclosures, notice timelines, and changes the operative date.
Detailed Summary:

- Adds definitions for “adverse rating” and “wildfire risk score.”
- Clarifies that a community-level mitigation action qualifies if it results in certification from:
  - The Insurance Institute for Business and Home Safety designating a wildfire-prepared neighborhood,
  - An equivalent program,
  - The State Fire Marshal, or,
  - an action undertaken by a local government or state agency to reduce wildfire risk.
- Authorizes the Director of DCBS to review submitted models or methods to **determine whether they account for** property-specific and community-level mitigation actions, and to **require an insurer to modify its model or method** if it does not account for these mitigation actions.
- Requires insurer submissions to include how models account for property-specific mitigation actions and mitigation actions performed **by state or federal agencies**.
- Provides that models or methods submitted to DCBS are trade secrets and exempt from public disclosure.
- Provides that the measure does not require insurers to submit new underwriting guidelines or manuals and does not change existing underwriting filing requirements.
- Requires insurers that do not submit a model or method to DCBS to provide, **when actuarially supported**, a premium discount, adjustment, or other incentive to a policyholder who demonstrates property-specific mitigation or proximity to qualifying community-level mitigation that reduces risk.
- Requires insurers to post on their websites the property-specific mitigation actions that qualify for discounts, adjustments, or incentives, and the amount associated with each action **or combination of actions**.
- **Authorizes the Director of DCBS to adopt rules** specifying which mitigation actions or combinations of actions qualify for actuarially supported discounts.
- Reduces the timeframe for insurers to provide coverage denial notices based on a wildfire risk score from 15 days to **10 business days** after an application is submitted.
- Reduces the timeframe for insurers to provide coverage nonrenewal notices based on a wildfire risk score from 30 days to **20 business days** after an application or appeal is submitted.
- Revises the operative date from January 1, 2027, to **July 1, 2027**.

BACKGROUND:

Homeowner’s insurance affordability and property and community-level wildfire risk reduction and mitigation have been consistent discussions among many states Legislative Assembly’s. In past sessions, the Oregon

Legislative Assembly has passed bills that aim to address insurance affordability as it relates to wildfire.

Outside of Oregon, in 2025, the Colorado Legislature passed HB 1182, requiring certain insurers that use wildfire or catastrophe risk models to share certain information about the model with the CO Division of Insurance in the Department of Regulatory Agencies, consider mitigation efforts in underwriting, disclose available mitigation discounts, provide appeals processes for risk scores, and notify policyholders annually of their risk classifications and discounts. The Act also requires insurers to offer discounts even when mitigation is not built into their models.