

# EMERGENCY FIRE COST COMMITTEE SPECIAL MEETING

April 3, 2023

In accordance with the provisions of ORS 477.455, a special meeting of the Emergency Fire Cost Committee (EFCC) was held via Zoom Video Conferencing on Monday, April 3, 2023.

## **Committee Members Present** (via Zoom)

Brennan Garrelts, Chair  
Steve Cafferata  
Chris Johnson  
Erik Lease

## **Others Present** (via Zoom)

Nancy Hirsch, EFCC Administrator  
Lorna Hobbs, EFCC Finance Coordinator  
Chrystal Bader, Executive Support, ODF  
Lee Lockrem, Willis Towers Watson  
Lindsay Cunningham, Willis Towers Watson  
James Short, Chief Financial Officer, ODF  
Mike Shaw, Chief of Fire Protection, ODF  
Ron Graham, Deputy Chief, Operations, Fire Protection, ODF  
Neil Miller, Fire Cost Recovery Specialist, ODF  
Gordon Foster, Prineville Unit Forester, ODF  
Teresa Williams, Klamath-Lake District, Assistant District Forester, ODF  
Kyle Williams, Director of Forest Protection, OFIC  
Eric Kranzush, Giustina  
Todd Scharff, DAS Risk Management  
Shelly Hoffman, DAS Risk Management  
Matt Stayner, LFO  
Sione Filimoehala, CFO Analyst, DAS  
Kate Skinner, Tillamook District Forester, ODF  
Pat Skrip, DFPA District Manager  
Jessica Prakke, Public Affairs, ODF  
Jerilee Johnson, Area Accountant, ODF  
Anthony Texeira, Area Accountant, ODF  
Shelby Berry, Admin Asst., Fire Protection, ODF  
Susie Armstrong  
Ed Easterling  
Carrie Karl  
Marie Hansen-Wagnier, DAS Risk Management

## **ITEM 1: CALL TO ORDER, CHAIR COMMENTS AND INTRODUCTIONS**

Chair Garrelts called the special meeting to order at 8:07 a.m. on Monday, April 3, 2023. All committee members were present via Zoom and there was a quorum. Chair Garrelts noted that the meeting materials will be posted on the EFCC website following the conclusion of the meeting. He also mentioned that the recruitment solicitation process to fill the vacancy of Steve Cafferata's, whose term ends at the end of April, has been started. If there are qualifying members of the public that are interested in applying, please send your resume to Nancy Hirsch.

## **ITEM 2: INSURANCE POLICY FOR 2023 FIRE SEASON** *[Decision Item]*

Todd Scharff opened this agenda item noting the proposed new insurance policy would be effective April 15, 2023. He then introduced Lee Lockrem and Lindsay Cunningham from Willis Towers Watson. Lee led the group through the policy proposal discussion noting the program is 100% funded, prior to April 1, which is uncommon. She noted the challenges when they started the underwriting process this time around. Derek Hansen, lead underwriter with Canopious, offered an \$80M deductible and an increase in premium to \$4.2M. After further discussion, a \$78.5M retention was agreed upon. This is still an increase from the \$75M policy, however, the premium remained flat, including taxes and fees. Lee explained that a flat premium is unheard of given the rates are driven by industry losses and inflation trending. The premium plus taxes and fees is estimated at \$4,066,425. This is Derek's ninth consecutive year as lead underwriter, which is key in the London marketplace. Derek is well-respected with the syndicates in London. Lindsay Cunningham mentioned that she and Lee are available if anyone would like more information.

Chair Garrelts then opened the meeting up to committee members for comments, but none had comments.

Todd Scharff showed a document depicting the history of the insurance policy program. He mentioned the progress made with the policy limits of coverage which were clarified at \$25M with a \$3.975M premium, and if there was a claim, there would still be access to the full \$25M. He added that the terms are good, especially considering the overall market conditions. The deductible increase throughout the years has been gradual and shows some progress; every 5-7 years, there's been a dramatic jump in the deductible, sometimes \$15-\$20M at a time. Todd explained that the underwriters are concerned with inflation, generally, not just as it relates to the property insurance market. It does not cost the same to fight fire as it did 5 years ago. This policy covers catastrophic costs, which causes the deductible to increase. Todd summarized the history of the policy noting that it has worked well and in our favor over the last 10 years. For every dollar paid in premiums, \$2 has been received back. However, there is a gap in what the OFLPF picks up, which needs to be filled, so there's some work that needs to be done there. He reminded the group that this is a one-of-a-kind insurance policy with a very committed underwriter.

Chair Garrelts commented that as of right now, the estimated portion of the OFLPF contribution to the premium is a minimum of \$315k, but if the remaining fire season doesn't produce a large cost for fires, there is the ability to increase the contribution by \$1M, in addition to the \$315k. Chair Garrelts shared his perspective which is that with the removal of the BLM from the policy, in addition to the contribution from FEMA, since 2013, the state's net firefighting costs have yet to exceed \$71M. From a business perspective, it is becoming a challenge to justify the policy. Additionally, the politics surrounding the policy complicate things, and unfortunately, ODF and EFCC don't have much ability to influence potential shifts in costs for landowners. He added there are some legislators that believe landowners don't pay enough towards firefighting costs and are looking to increase costs dramatically. For some landowners, it's becoming untenable to justify annually, and that's where this policy helps to shelter General Fund (GF) dollars, which rolls down to the landowners. This is not a policy that can be turned on and off over time. Personally, he is struggling with the decision to continue the policy or not. He supports it and wants it to continue, but finances are becoming more difficult for landowners and the political influence risks are increasing landowner costs drastically.

Steve Cafferata noted that even if the premium remains flat and the retention increases, it still won't help. He mentioned the fund balance which is decreasing by about \$2 million each year. If the decrease continues, the committee will have to find special assessments by increasing the rate to rural residents and landowners across the state. If there are no spring fires, there would be a way to start rebuilding the fund. The retention increase also reduces future opportunities for strategic investments, which have saved the GF millions of dollars. Steve noted the policy is only a tiny percentage of the statewide GF dollars (0.06%).

Erik Lease made note of the \$75M retention, which is a threshold that has yet to be met. He is concerned with long term firefighting fund viability for the state and had hoped by now that a solution had been reached, but it has not.

Chris Johnson reiterated the important points that have been brought up. He views this as a bridge to nowhere. Nothing has improved, especially on the east side of the state where landowners are struggling with rate increases.

Lee Lockrem said she understands all points and perspectives and noted that if this product goes away, it won't come back.

Chair Garrelts reminded the committee that, consistent with statute, the decision to purchase the policy is ultimately up to the State Forester. EFCC only makes a recommendation to the State Forester on whether to purchase the policy or not. He offered one more length of bridge in hopes that the legislature can come to a resolution on long term funding of wildfire in Oregon. This considers the catastrophic nature of future fires, which is offset by strategic investments, early detection, and aggressive suppression.

Steve Cafferata commented that last year when EFCC agreed to bridge the gap, it cost the OFLPF \$300k. This time, it has the potential to cost the fund \$1.8M, which is a significant difference.

Chair Garrelts added that decreasing the fund balance is also a concern.

A motion to not recommend the State Forester purchase the catastrophic wildfire insurance policy for 2023-24 was made by Erik Lease and seconded by Chris Johnson. All were in favor except for Chair Garrelts who was in favor of recommending the State Forester make the purchase.

Chair Garrelts then thanked Lee, Todd, and Lindsay for their work on the policy this year and that given the property marketplace and increases, it was impressive to see. He reiterated that ultimately, the EFCC recommendation goes to the State Forester who makes the final decision of whether to renew or not.

Mike Shaw, Chief of Fire Protection for ODF, thanked the committee for this emergency meeting noting their commitment to fire protection in Oregon, along with the fiduciary responsibility to the OFLPF, is appreciated. He also thanked Willis Towers Watson and DAS Risk and added that this was a tough decision for EFCC, but folks understand the circumstances. He apologized on behalf of State Forester Mukumoto, who was downtown at the legislature. Mike then

stated he would be briefing the State Forester personally later today and recommend that he watch the recording of this meeting to understand the full scope and scale behind the committee's decision.

Chair Garrelts mentioned that he spoke with Cal ahead of this meeting and encouraged him to attend the legislative hearing where it was important for him to be.

**ITEM 3: PUBLIC COMMENT / GOOD OF THE ORDER**

There being no public comment or further business before the committee, Chair Garrelts adjourned the meeting at 8:40 am. The next regular meeting of the Emergency Fire Cost Committee will be held at **10:00 a.m.** on **Tuesday, June 6, 2023** at the Oregon Department of Forestry Headquarters in Salem and via Zoom Video Conferencing.

**Minutes drafted by:** Chrystal Bader

**Minutes reviewed by:** Nancy Hirsch and Erik Lease