

# Wildfire & Crime Risk Scoring: The Latest Reason for Underwriting Denials

If an account has a high risk score, obtaining insurance coverage can be difficult. Risk scores are not new, but in recent years, insurance underwriters appear to be giving them more weight. Wildfire and crime risk scores in particular are receiving increased scrutiny. For policyholders and their brokers, this can lead to coverage rejections that appear to come out of nowhere.

## Wildfire Risk Scores

Increased wildfire activity has caused extreme property destruction and insurance disruption in recent years. According to [S&P Global](#), Aon says that insured losses from wildfires in the U.S. topped \$13 billion in three of the last four years. As wildfire losses become larger and more frequent, insurance capacity for this risk is shrinking.

Insurers are eager to assess current wildfire risk, and new risk scoring tools are helping them to accomplish this.

[Verisk](#) estimates that 4.5 million U.S. properties have a high to extreme wildfire risk. The FireLine tool provides detailed and current information based on remote sensing and digital mapping technology to help insurers assess wildfire risk for specific addresses. Currently, FireLine is available in 13 states in the U.S. as well as parts of Canada.

The [First Street Foundation-Wildfire Model](#) also provides wildfire exposure information for specific addresses, and it is available for any location in the contiguous U.S. The wildfire risk is determined using data related to fire fuels, weather, human influence and fire movement.

Using [Risk Factor](#), a free online tool from First Street Foundation, you can enter any address and see both a flood risk score and a fire risk score. Both scores are out of 10, with a low score showing a minimal risk. The tool also provides information on the statistical probability of a wildfire or flood occurring over the next 30 years.

## Crime Risk Scores

In addition to wildfire, crime is another growing concern for insurers and risk managers.

According to the [FBI](#), many communities have experienced an increase in homicides and violent assaults. In 2020, homicides increased by nearly 30%, which is the largest single-year increase in more than 50 years. Active shooter incidents have also increased. Between 2020 and 2021, the [FBI](#) says there was a 52.5% increase in active shooter incidents.

Active shooting incidents and other violent crimes can result in liability. According to [CNN](#), MGM reached a settlement of up to \$800 million in connection with a 2017 mass shooting. The company said it had about \$751 million in insurance coverage for the loss.

Robberies, vandalism and other types of criminal activity can also result in significant insurance losses. Insurers are therefore highly motivated to assess the risk of criminal activity. [CoreLogic](#) uses SecurityGauge data from Location, Inc. to provide a crime risk score that ranges between 0 and 100. CoreLogic also provides information on the total crime index, the violent crime index, and the property crime index.

## Risk Scores and the Hardening Market

When insurers offer D&O coverage, it may be limited by broad exclusions. Exclusions to watch for include regulatory exclusions that could potentially be applied to all regulations and not just cannabis regulations. Other exclusions may limit coverage further. In addition to looking for overly broad regulatory exclusions, it's also important to evaluate coverage for bankruptcy or creditor exclusions.

## Insurance Coverage Availability for Marijuana Companies

Insurance rates have been increasing, but this is only one characteristic of the hardening insurance market. Insurance capacity is also decreasing. This means that insurers may be more reluctant to provide coverage and more likely to rely on limits and exclusions in order to take on a risk. It can sometimes seem as though carriers are looking for a reason to deny coverage.

As insurers increase underwriting scrutiny, risk scores are taking on more weight. If an account's crime risk score or fire risk score is high, the insurer may opt to deny coverage. However, property owners often don't realize that their risks are high, and brokers often aren't aware of this either. As a result, they might not realize there's a problem until the insurer rejects coverage or issues a notice on non-renewal.

These issues are not likely to fade away anytime soon, so brokers and their clients need to take steps now:

- Know your risk. Don't let yourself be blindsided by high rates or rejection. Before applying for insurance, or before an account comes up for renewal, look at publicly available crime and fire risk data to determine risk.
- Be proactive. Instead of waiting for a negative response from an insurer, take control of your risks now. This may involve adding more security to a property or installing fire hardening measures. See [DisasterSafety.org](#) for tips on protecting your business from wildfire. Show the insurer how you're minimizing risk.
- Advocate for your clients. Brokers need to position their clients for success. With stricter underwriters, brokers may need to work harder to advocate for their clients and show why the account is still a good risk.
- Be prepared to shop around. If you know a client is considered high risk, you can build in extra time so you can shop with more carriers. You can also consider using a wholesale partner's advocacy and guidance.

Navigating the current insurance market can be challenging. Socius can help by providing access to new markets and underwriting advocacy. Reach out for assistance.



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