

COGPLEXITI · SYSTEMS & DECISION ANALYSIS

NOBODY'S VILLAIN

The Wildfire Insurance Crisis,
Thirteen Rational Actors,
and the Interest-Based Way Out

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WHITE PAPER

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How to Read This Paper

This white paper belongs to the Cogplexiti Systems & Decision Analysis line and sits beside the two Tier volumes. The System Tier established the structural account of the national wildfire system, including the exposure tension (T1) in which risk is created where creating it is rewarded. The Incident Tier documented the coordination machinery where those structural conditions meet an actual fire. This paper takes one consequence of the structural account — the property insurance crisis — and examines it at the resolution of the people inside it.

The paper follows the house analytical format: Executive Summary, Support and Analysis, Red Team Assessment, Dissenting Alternative, and Recommended Course of Action. The analytical core is Section 2.2, which walks the full actor chain — thirteen positions, from a homeowner in a mountain town to the operations section chief who will one day be asked to defend her street — and applies one discipline to every node: local rationality, the principle that people and organizations make decisions that are rational given the goals, knowledge, incentives, and constraints present at their position in the system, even when those decisions look wrong from another vantage point (Dekker 2014; Woods et al. 2010). The discipline is applied symmetrically. No actor in this paper is a villain, and no actor is only a victim.

The thirteen actors are drawn as composite characters, set in and around Pine Bench — a constructed mountain town whose arithmetic is anywhere. Every number attached to the market is real and cited; every person attached to the numbers is a composite built from documented roles, incentives, and constraints. A companion audio production carries the same thirteen voices forward into the default future, the one this paper exists to prevent.

Citations are Chicago author–date. References to the Tier volumes use their short titles. California carries the leading case because its record is the deepest and its contagion pattern is the clearest, but the mechanism is portable: the same chain, with the same rationalities, operates in Arizona, Colorado, Oregon, and every state where the arithmetic of fire and housing now collide.

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Part I — Executive Summary

The problem in one page; the claim in one sentence

The claim, stated. The American wildfire insurance crisis is not a story of villains. It is a system of rational actors whose individually sensible decisions compound into a collectively irrational outcome — and because the diagnosis is structural, the remedies that treat it as a morality tale fail on schedule. Rate suppression drives carrier exit. Moratoriums buy months at the cost of the signal. Blame directed at any single node — the greedy carrier, the feckless regulator, the entitled homeowner, the reckless county — misdescribes the mechanism and therefore mis-legislates the response. The only exits that hold are instruments each actor can say yes to from inside their own rationality, and those instruments are found by surfacing the interests underneath the positions, not by forcing any position to win.

1. The scale is documented and the contagion is underway. Average California homeowner premiums rose 84 percent between the end of 2020 and March 2026, while average deductibles climbed from \$1,813 to \$2,553. The FAIR Plan — the insurer of last resort — grew from 1.5 percent of single-family homes in December 2020 to about 5 percent in March 2026, and it backed roughly 6 percent of new single-family mortgage originations: more than one in seventeen new home loans now closes on the most limited, most expensive coverage available. Most telling, FAIR Plan dependence is appearing in moderate- and low-wildfire-risk ZIP codes at twice the plan's overall market share. The crisis has escaped fire country and is repricing the housing market itself (Nguyen and Wara 2026).

2. Every actor in the chain is behaving rationally. The homeowner who hardens her house, the agent who cannot place her, the underwriter whose model prices the canyon rather than the parcel, the reinsurer whose capital can leave wildfire for hurricane in one renewal cycle, the FAIR plan officer holding the state's concentrated tail, the lender whose insurance requirement converts a non-renewal into a foreclosure risk, the commissioner squeezed between statute and solvency, the legislator whose moratorium polls at eighty percent, the county planner approving the subdivision his own hazard map fears, the fire chief blamed for premiums he cannot touch, the agency administrator whose fuels program is invisible to every model that prices its benefit, the fuels officer whose treatments bend the real risk curve without moving a single rate, and the operations section chief who inherits the sum of every deferred decision as risk measured in lives — each is answerable for something real, sees only part of the system, and is acting sensibly on what they see. That is the finding, and it is also the problem.

3. The chain fails at its information interfaces. The evidence each actor needs in order to change behavior is held by another actor whose local rationality does not reward

producing it. Parcel-level mitigation exists but is invisible to catastrophe models. Federal fuels treatment reduces community risk but enters no rate filing. A fire district's capability is priced into a legacy rating system that catastrophe models ignore. The system does not lack virtue; it lacks legibility.

4. Position-based legislation fails predictably. The dominant legislative pattern for thirty-five years has answered positions rather than interests: hold rates down, freeze non-renewals, patch the residual market. Each intervention is locally rational and each transfers the problem to another node — suppressed rates become carrier exit, moratoriums become deferred non-renewal waves, FAIR patches become concentrated insolvency risk that assessments spread back onto every policyholder in the state. Section 2.4 documents the pattern as mechanism, not blame.

5. Demonization is not merely unkind; it is analytically wrong and legislatively expensive. A theory of the crisis that requires a villain will produce statutes that punish the villain's position — and the record shows that punishing positions accelerates the behavior the statute meant to stop. Carriers do not absorb suppressed rates; they leave. Homeowners do not absorb honest catastrophe pricing without mitigation credit; they drop coverage, sell into a falling market, or vote for whoever sounds angriest. The market does not absorb moratoriums; it prices them into the next renewal.

6. The interests converge where the positions cannot. Beneath thirteen colliding positions sit interests that are substantially compatible: risk genuinely reduced, risk legibly priced, and a market that exists. No actor in the chain — not the carrier, not the reinsurer, not the commissioner — is served by a market that has ceased to function. Section 2.5 maps the convergence, and it is wider than the public argument suggests.

7. The convergent instruments already exist in prototype. Mitigation-conditioned pricing and availability (California's Safer from Wildfires framework and carrier programs keyed to the IBHS Wildfire Prepared Home standard), community-scale certification legible to models, the nation's first public wildfire catastrophe model (SB 429), and depopulation commitments traded for modeling authority under the Sustainable Insurance Strategy — each is an instrument some actor said yes to from inside their own rationality. They are early, partial, and unproven at scale. They are also the only category of intervention in the record that moves the mechanism rather than the symptom.

8. The window is real and it closes in a catastrophe. The companion futures analysis found that in the modeled histories, repricing instruments are drafted either in calm or in a catastrophe's emotional window — and the instruments drafted in the window are drafted badly, by acclamation, answering the loudest position rather than the underlying interests (Coil 2026c). Every season that ends without the truth infrastructure in place is a season closer to legislating inside the window.

The conclusion follows directly. The way out of the wildfire insurance crisis is not a winner. It is a table — a structured, interest-surfacing process in which each actor's constraint is treated as data rather than as bad faith, and the output is a set of instruments that connect the truth about each parcel, each community, and each landscape to the price of protecting it. Part V specifies the table, the instruments, and the sequence.

Part II — Support and Analysis

The machine, the actors, the collision, the failed remedies, and the interests underneath

2.1 How the Machine Works

Property insurance is a chain of promises, each backed by capital, each priced by a model, each regulated at a different level. The homeowner pays a premium to a carrier. The carrier pools premiums, holds capital against the pool, and buys reinsurance against the losses too large for its capital — transferring the tail of its risk to global markets that price wildfire against hurricane, earthquake, and severe convective storm in the same portfolio. Regulators license the carriers, approve the rates, and operate a residual mechanism — in California, the FAIR Plan, an association of the licensed carriers themselves — to hold the risks no one will write voluntarily. Lenders sit outside the chain and govern it: the mortgage contract requires insurance, which means the availability of coverage is the availability of housing finance.

The chain works when three conditions hold: losses are estimable, prices can move with the estimates, and the risk pool stays diverse enough that the unlucky are carried by the lucky. Wildfire in the West now stresses all three at once. Losses have jumped regimes — the January 2025 Los Angeles fires alone produced insured losses that drove more than \$22 billion in claim payments within the following year (California Department of Insurance 2026) and exhausted significant portions of several carriers' reinsurance towers. Prices could not move with the estimates: California's Proposition 103 (1988) requires prior approval of rates and, for most of its life, confined rate-making to historical loss data — a rearview mirror pointed at a road that no longer exists. And the pool stopped being diverse: as carriers restricted new business — seven of the state's twelve largest reduced or halted new underwriting by 2022 (Nguyen and Wara 2026) — the highest risks concentrated in the FAIR Plan, whose losses are assessed back onto the same carriers, which raises their costs, which tightens their appetite, which sends more risk to the FAIR Plan.

The record of the last eighteen months shows both the spiral and the first countermoves. The FAIR Plan levied a \$1 billion assessment on its member insurers in February 2025 to cover Palisades and Eaton losses, and gained statutory access to catastrophe bonds and credit lines a year later (California Department of Insurance 2025). The commissioner approved an emergency interim increase averaging 17 percent for the state's largest carrier and, under the Sustainable Insurance Strategy, began trading forward-looking catastrophe-model authority for binding commitments to write in wildfire-distressed areas. Carriers re-entered at the margin — rate increases paired with depopulation

commitments and mitigation discounts of up to 12.5 percent for homes certified to the IBHS Wildfire Prepared Home standard. Nine reform statutes took effect January 1, 2026, and four more — governing non-renewal notice, mitigation-conditioned coverage, disaster claims practices, and FAIR Plan overhaul — were pending as of this writing (California Department of Insurance 2025, 2026).

Two readings of that record are available, and the difference between them is this paper's subject. Read as a morality tale, the record is a fight: carriers versus consumers, regulator versus industry, with the legislature keeping score. Read as a system, the record is a machine hunting for a new equilibrium — and the interventions divide cleanly into those that answered a position (freeze, cap, patch) and those that answered an interest (make risk legible, make mitigation count, make the price honest and the coverage available). The first category bought time. Only the second category has moved the mechanism.

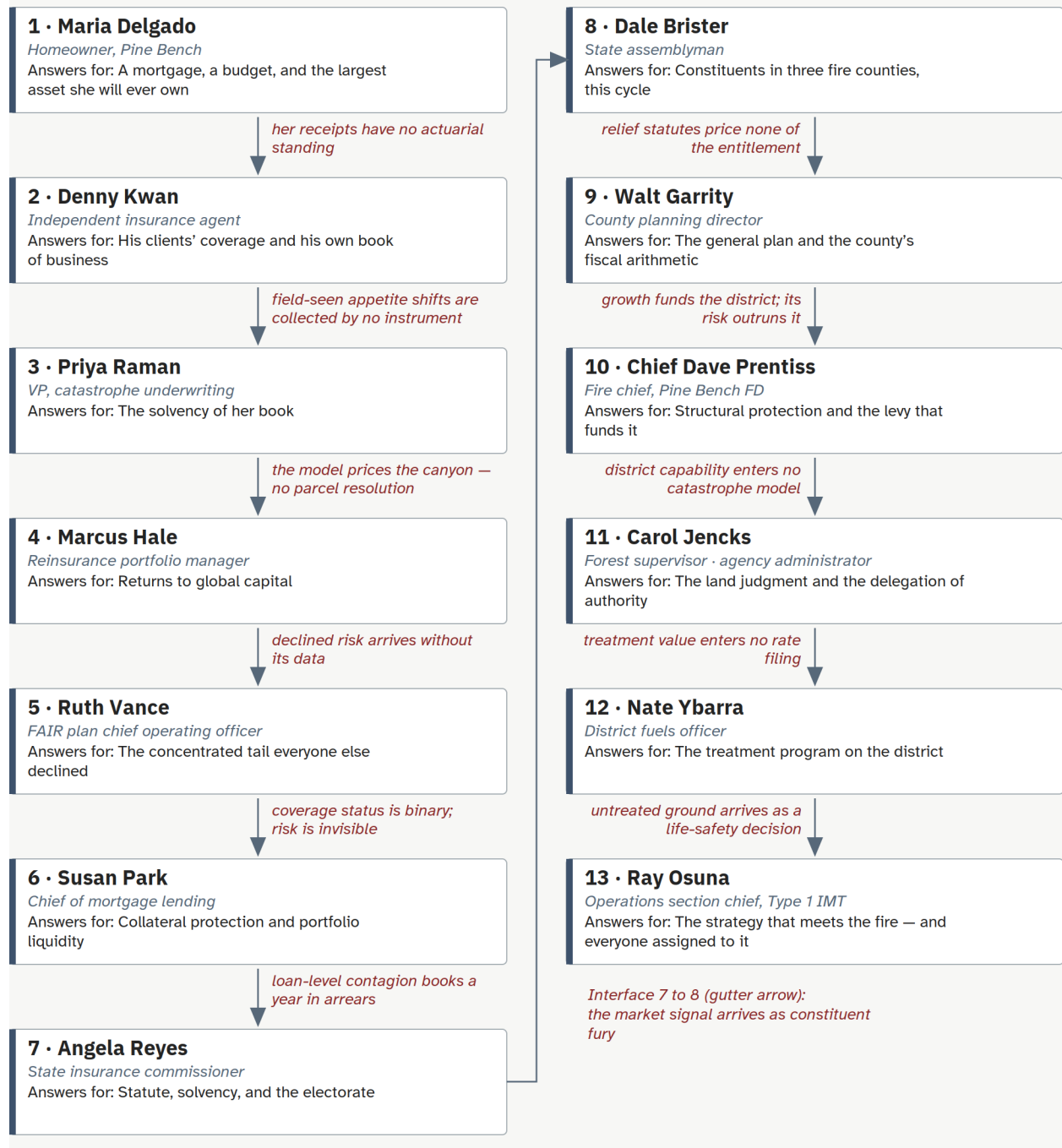
2.2 The Actor Chain — Local Rationality, Node by Node

This section walks the chain in the order the money and the risk travel: from the parcel to the capital markets, back through the regulatory and political structure, out to the land, and finally to the fireline — the node where every deferred decision upstream converts into risk measured in lives. Each actor receives the same four-line treatment: what they answer for, what they can see from their position, the position they state in public, and the interest underneath it. The treatment is symmetrical by design. If the reader finishes this section still convinced that one of these thirteen people is the problem, the section has failed — or the reader has found the node they themselves occupy.

FIGURE 1

The actor chain — thirteen positions, one system

Each node shows the actor, what they answer for, and their stated position; the connecting arrows carry what each node can and cannot see about its neighbors. Information gaps at the interfaces — not malice at the nodes — are where the chain fails.



The system does not lack virtue. It lacks legibility.

Maria Delgado — Homeowner, Pine Bench

Answers for. A mortgage, a household budget, and the largest asset she will ever own.

Can see. Her parcel: the Class A roof she financed after the 2020 scare, the ember-resistant vents, the thirty feet of defensible space she maintains like a second job. She cannot see the canyon-scale loss model that prices her, and the model cannot see her.

Stated position. “I did everything they asked. My premium tripled and then they non-renewed me anyway. Someone needs to make the insurance companies honor their side.”

Underlying interest. Coverage she can afford that recognizes what she has actually done — and the preservation of the equity that eleven years of payments and mitigation were supposed to protect.

Maria is a retired schoolteacher, and her situation is the crisis in one household. Her carrier's catastrophe model prices at a resolution that sees the canyon and not the parcel; her mitigation is real, documented in a folder of receipts, and actuarially invisible. The FAIR Plan quote is four times her old premium for a fraction of the coverage — fire and little else — so she buys a supplemental policy to reassemble what used to arrive in one envelope, as nearly half of FAIR policyholders now do (Nguyen and Wara 2026). Her lender requires the coverage, so declining it is not among her options. Her rationality is airtight: she followed every instruction the system published, and the system repriced her anyway, because the instruments that would let the market see her virtue — parcel certification, community standards, a model that accepts mitigation as data — arrived years behind the repricing. Repricing without mitigation instruments is not risk management; from where Maria stands, it is loss reallocation, and she will vote accordingly.

Denny Kwan — Independent insurance agent, twenty-six years in the county

Answers for. His clients' coverage and his own book of business, which is his retirement.

Can see. Every carrier's appetite in real time — who is quoting, who is quietly declining, which ZIP codes just went to referral-only. He cannot see why appetites change; the underwriting guidelines arrive as conclusions, not reasons.

Stated position. “The carriers pulled out and left me holding the phone. I spend my days telling good people there's nothing I can place.”

Underlying interest. A functioning admitted market with more than one option per client — because his livelihood is placing coverage, and a market with nothing to place has no role for him.

Denny is the chain's translator, and translation is collapsing on both ends. To his clients he must explain non-renewals he did not decide, using reasons the carriers do not fully disclose. To the carriers he is a distribution channel in a state where distribution is being rationed. His commissions run on placed premium; every client who lands in the FAIR Plan pays him less for more work, and every client who gives up and self-insures pays him nothing. His local rationality pushes him toward the surplus-lines market and toward the mitigation-documentation hustle — assembling the hardening evidence that gives a broker the strongest possible case at quote time — not because he is mercenary but because those are the only moves his position still has. He is also the system's earliest sensor: agents see appetite shifts a full season before the data reaches a regulator's desk, and no instrument in the current architecture collects what he knows.

Priya Raman — Vice president of catastrophe underwriting, regional carrier

Answers for. The solvency of her book: if she prices wrong in either direction, she either loses the market or loses the company.

Can see. Portfolio-level modeled loss, reinsurance cost, capital requirements, and regulatory rate ceilings. She cannot see Maria's parcel — not because she is incurious, but because parcel-level mitigation data does not exist in a form her model vendors ingest or her capital committee will accept.

Stated position. “We are not allowed to charge what the risk costs, so we cannot responsibly write it. The exposure has outrun the rate.”

Underlying interest. Rate adequacy and risk legibility — permission to price what the models project, and data good enough that the models can distinguish a hardened home from its unhardened neighbor. A profitable book in California, not an exit from California.

Priya's decisions read as abandonment from Pine Bench and as fiduciary duty from inside her capital committee, and both readings are accurate. For decades her rate filings were legally confined to historical losses under the Proposition 103 framework while her reinsurers priced her against forward-looking models — she was required to buy protection at tomorrow's price and sell it at yesterday's. After the January 2025 fires consumed a significant portion of her reinsurance tower, her reinsurance renewal repriced overnight, and every dollar of that increase was a dollar the approved rate did not contain. Her non-renewal of the canyon — including Maria — was the model's resolution limit executing itself: the data to underwrite parcel-by-parcel did not exist, so the prudent decision was made at the resolution that did. Her interest is the one the public argument most consistently misses: no underwriter wants to exit a market of thirteen million households. She wants to write it — at a price the risk supports, with data that lets her reward the Marias. The Sustainable Insurance Strategy's bargain — modeling authority in exchange for binding commitments to write in distressed areas — is the first instrument in decades she could say yes to.

Marcus Hale — Property-catastrophe portfolio manager, Bermuda reinsurer

Answers for. Returns to global capital — pension funds and institutional investors — that can reallocate away from wildfire in a single renewal cycle.

Can see. Wildfire as one peril in a global portfolio, priced against Atlantic hurricane, Gulf Coast windstorm, and California earthquake. He sees California as a correlation problem: one wind event, one ignition, tens of billions in a single afternoon. He cannot see — and is not paid to see — any individual community's mitigation.

Stated position. “California wildfire is under-modeled, politically repressed, and legally uncertain. We participate at a price, and the price went up.”

Underlying interest. Modelable risk and regulatory predictability. Capital does not flee peril; it flees illegibility. A jurisdiction whose losses can be estimated and whose rules will not change retroactively is a jurisdiction he can deploy into.

Marcus is the chain's least visible actor and its fastest mover. His capital has no loyalty to any state and no memory of any community; that is not a character flaw, it is the design — diversification is what makes catastrophe insurable at all. When the 2025 losses landed, his repricing of California wildfire was transmitted down the chain within one renewal cycle, arriving at Priya's desk as cost and at Maria's mailbox as a non-renewal, with no actor in between able to absorb it under the approved rates. His local rationality is arithmetic: he owes his investors a risk-adjusted return, and a peril whose losses jump regimes while its primary market's rates are administratively capped is a peril he participates in thinly and expensively. But his interest points the same direction as everyone else's: reinsurance capital re-enters when the risk becomes legible. A public catastrophe model, community-scale mitigation certification, and a regulatory regime that lets primary rates track modeled loss are, from Bermuda, the difference between a market and a lottery.

Ruth Vance — Chief operating officer, state FAIR plan

Answers for. A residual market designed decades ago for a few thousand hard-to-place risks, now holding hundreds of thousands of the state's most fire-exposed policies — the concentrated tail everyone else declined.

Can see. The exact anti-portfolio: adverse selection in its purest form, growing at the rate the voluntary market shrinks. She can see her plan's aggregate exposure to a single wind event with terrible clarity. She cannot control her own intake — the plan must accept what the market rejects.

Stated position. “We are the safety net, not the solution. Every policy that lands here is a policy the system failed to place, and our balance sheet was never built for this.”

Underlying interest. Depopulation — a voluntary market healthy enough to take her policies back — and financial architecture (assessments, catastrophe bonds, credit lines) sufficient to survive the interval.

Ruth operates the machine's pressure vessel. The plan's growth from roughly 1.5 percent to about 5 percent of the state's single-family homes in five years (Nguyen and Wara 2026) is not her strategy; it is everyone else's rationality arriving at her intake. Her coverage is deliberately thin — fire and little else — because the plan was designed as a bridge, not a destination, and every broadening of its coverage deepens the adverse selection that threatens it. When the January 2025 fires produced losses beyond the plan's resources, the \$1 billion assessment on member carriers did exactly what the design intended and exactly what the system could not afford: it transmitted the concentrated losses back onto the voluntary market, raising every carrier's cost of remaining in the state (California Department of Insurance 2025). Her rationality is survival arithmetic — assessments, bonds, credit lines, and a claims operation under formal legal scrutiny for its handling of smoke-damage claims (California Department of Insurance 2026). Her interest is the strangest in the chain: she runs the only enterprise in this paper whose institutional goal is to shrink.

Susan Park — Chief of mortgage lending, regional bank

Answers for. A loan portfolio whose collateral must remain insured, and the regulatory capital treatment of every mortgage in it.

Can see. Insurance status per loan — binary, lagging, and increasingly alarming. She cannot see risk; she can only see coverage. A hardened home with lapsed insurance and a tinderbox with a FAIR policy look identical in her system.

Stated position. “The mortgage requires insurance. If coverage lapses, we force-place it. This is not discretionary; it is the contract and the secondary market's condition.”

Underlying interest. Collateral protection and portfolio liquidity — loans she can hold without impairment and sell without friction. A stable insurance market is upstream of both.

Susan is the invisible actor who makes the crisis systemic. Insurance and housing finance are one machine wearing two names: the requirement in her loan documents — passed through from the government-sponsored enterprises that buy her mortgages — is what converts Maria's non-renewal notice from a household problem into a housing-market problem. Her only unilateral tool, force-placed coverage, is the worst instrument in the chain: several times the market premium, protecting only the lender's interest, charged to the borrower least able to pay it. She deploys it anyway, rationally, because an uninsured collateral pool is a portfolio she cannot hold or sell. The Stanford data gave her the number that keeps her attention: roughly 6 percent of new single-family originations now

close on FAIR Plan coverage — the thinnest protection in the market backing the newest loans in her pipeline, and appearing in moderate- and low-risk ZIP codes at twice the plan's overall share (Nguyen and Wara 2026). Susan's interest makes her the sleeping giant of any interest-based convening: the moment insurance availability visibly reprices home values and loan performance, the lending system's voice — quiet so far — becomes the loudest demand for exactly the mitigation-legibility instruments the market needs.

Angela Reyes — Elected state insurance commissioner

Answers for. A statute that demands prior approval of rates, a market that answers suppression with exit, and an electorate that experiences both as her fault.

Can see. The whole regulated market — filings, complaints, solvency examinations — in arrears. She sees carrier exits after appetite closes, FAIR growth after the quarter books, and public fury in real time.

Stated position. “I will hold insurers accountable to write coverage in this state at rates families can afford — and I will not let the FAIR Plan fail.”

Underlying interest. A functioning market she can answer for: solvent carriers, available coverage, honest prices, and a residual plan shrinking rather than growing. Re-election is the position; a market that works is the interest, because a market that fails is unsurvivable in either role.

Angela holds the chain's most public contradiction. Her governing statute — written by initiative in 1988 to suppress auto insurance rates — requires her to approve every rate and rewards her politically for approving as little as possible, while the market she regulates answers sustained suppression the only way capital can: by leaving. For years her rational move was the visible one — fight increases, extend moratoriums, patch the FAIR Plan — because the invisible consequence (appetite closing) arrived slowly and the visible benefit (premiums held down) arrived before the next election. What changed her calculus was arithmetic she could no longer defer: seven of twelve major carriers restricting new business, a residual plan tripling, and an assessment mechanism that spread concentrated losses back onto every remaining carrier. The Sustainable Insurance Strategy is what an interest surfacing looks like when a regulator performs it on herself: she traded the position (historical-data rate suppression) for the interest (a market that exists), granting catastrophe-model authority in exchange for binding write-back commitments, mandating mitigation discounts under the Safer from Wildfires framework, and sponsoring the nation's first public catastrophe model so the pricing fight could at least occur on shared evidence (California Department of Insurance 2025, 2026). Whether the trade holds is the largest open experiment in American insurance regulation.

Dale Brister — State assemblyman, mountain district

Answers for. Constituents in three fire-exposed counties, this cycle — and a caseload of non-renewal letters that arrives faster than any structural reform can.

Can see. The suffering at retail: town halls full of Marias, county assessors reporting stalled sales, local employers who cannot recruit against uninsurable housing. He cannot see — within his electoral window — the decade-long consequence curve of the bills that poll best.

Stated position. “Families are being abandoned. My bill freezes non-renewals for two years while the market stabilizes. We act now.”

Underlying interest. Durable relief his constituents can feel and he can survive on — which, beneath the moratorium, means a district whose homes can be insured, sold, and financed. He has no interest in a freeze that thaws into a larger wave; he has an interest in the wave never forming.

Dale is responsive, which is the duty of the office, and his local rationality is the appropriations and election calendar — as real as the planner’s tax base or the carrier’s model (Coil 2026a). The moratorium is his position, and it is not foolish: the existing one-year non-renewal protections after declared fire emergencies bought genuine breathing room for real households, and extending such protection to businesses and HOAs answered documented harm (California Department of Insurance 2025). The mechanism problem is timing, and he half-knows it: a freeze suspends the symptom while the cause compounds, and when the mandatory moratorium in the 2025 fire ZIP codes expired on schedule in January 2026, the deferred non-renewals resumed against a market one year more concentrated. His interest diverges from his position exactly there. A legislator whose district cannot be insured is a legislator whose district cannot be sold, financed, or grown — so the bills that serve his interest are the enabling ones: mitigation-conditioned coverage guarantees, grant programs for hardening, disclosure and notice reform. Some of those bills exist and carry his colleagues’ names. The question his rationality must answer is whether he can vote for the interest when the position polls at eighty percent.

Walt Garrity — County planning director

Answers for. A general plan, an entitlement pipeline, and the fiscal arithmetic of a county whose budget is assessed value.

Can see. Both truths at once, in adjacent drawers: the hazard severity map his own staff produced, and the revenue projection that only pencils if the interface subdivision is approved. He can see the contradiction perfectly. He cannot see a fiscal instrument that resolves it.

Stated position. “The project meets code. We’ve conditioned it — ingress-egress, water supply, defensible space covenants. Growth pays for services here.”

Underlying interest. A solvent county that is still standing in thirty years — which requires both the near-term tax base the subdivision provides and the long-term insurability the subdivision erodes. He is the actor whose interests conflict internally, on a timeline.

Walt occupies the system's hardest knot, documented in the structural record as the exposure tension: land-use authority — the single most powerful lever over wildfire exposure — sits with counties whose fiscal base is property development, whose fire districts are funded by the very assessed value that interface growth creates, and whose rational expectation is that state and federal resources will arrive when the fire does (Coil 2026a). Every approval is individually rational five times over — developer, buyer, county, fire district, state — while the risk diffuses across insurance pools, backstops, and disaster programs that price none of it back to the entitlement decision. Walt is not corrupt and not ignorant; his county's decline is certain and its fire is probabilistic, and no planning director in America has ever been fired for approving the project that funded the sheriff's department. What has begun to change his environment is the insurance market doing what no hearing ever did: when the new subdivision's phase two cannot pre-sell because buyers cannot bind coverage, the actuarial signal reaches the entitlement calendar for the first time. His interest — a county that exists in thirty years — is served by exactly one category of instrument: something that makes the long-term cost visible and fundable at the moment of approval, whether mitigation-parity in disaster cost shares, insurability findings at entitlement, or a hazard-disclosure regime with teeth.

Chief Dave Prentiss — Fire chief, Pine Bench Fire District

Answers for. Structural protection for the district, the levy that funds it, and — in his constituents' minds — everything with the word “fire” in it, including their premiums.

Can see. His district's real capability: apparatus, staffing, water system, response times, the ISO rating his predecessors spent decades earning. He cannot see inside the catastrophe models that ignore all of it.

Stated position. “We are better prepared than we have ever been. I cannot explain your premium, because the people who set it have never seen our district.”

Underlying interest. That his district's actual capability count in the price of protecting it — and that the levy survive. Insurance-driven devaluation shrinks the assessed value that funds the very capability the models refuse to see.

Prentiss stands at the strangest information gap in the chain. The legacy fire-insurance rating system — the ISO grading his district optimized for across generations — measured exactly what he controls: water supply, apparatus, staffing, dispatch. Wildfire catastrophe models measure none of it; they price fuel, slope, wind, and structure density, perils his engine company can influence at the margin and his budget cannot reach at scale. So he

stands in front of a town hall every quarter and answers for a number no decision of his produced, while the true drivers — the canyon's fuel load on federal ground, the subdivision pattern the county approved, the parcel conditions on private land — belong to Jencks, Garrity, and Maria respectively. His rationality under that pressure is to do the visible things: inspections, chipping days, a Firewise committee. His interest is structural: a community risk-reduction record — district capability plus community mitigation — packaged in a form a catastrophe model will ingest. The instruments emerging around the IBHS community and parcel standards are the first mechanism in his career that could connect what his district actually does to what his constituents actually pay, and the fiscal stake is existential: a district funded by assessed value cannot survive the devaluation of everything it protects.

Carol Jencks — Forest supervisor — agency administrator, adjacent federal lands

Answers for. The land judgment: fuels strategy, managed fire decisions, and suppression objectives on the landscape that surrounds Pine Bench — and the delegation of authority under which every incident on her unit is fought.

Can see. The landscape-scale risk picture — fuel conditions, treatment history, fire regimes — at a fidelity no one else in this chain possesses. She cannot see her program's effect on a single insurance rate, because no rate filing anywhere ingests it.

Stated position. “My obligation is the land and the law it is managed under. I will support the community's protection to the full extent of my authorities — and I will not spend firefighter lives on ground where the strategy does not justify the risk.”

Underlying interest. That the risk-reduction work her unit performs — and the strategic discipline she enforces — be legible to the community and the market that depend on it; and a decision environment in which protecting Pine Bench and protecting her people are not forced into opposition by conditions others created.

Carol answers to statute, not to the county's tax base or the market's loss curve — and the statute is a live operating constraint, not heritage decoration (Coil 2026a). Her fuels program is, by any honest accounting, the largest single risk-reduction input in Pine Bench's geography: the treatments and prescribed fire on her unit bend the county's real loss curve more than every chipping day the district can staff. None of it is priced. Her environmental compliance timelines run in years, her fuels budget is discretionary while suppression is effectively guaranteed — the regime tension in miniature — and when she accepts the risk of a prescribed burn, she accepts it personally in a review climate that has ended careers, while the benefit accrues to homeowners, carriers, and counties who will never know her name. Her hardest hour arrives with the fire itself: as agency administrator she sets the strategy and signs the risk decisions, and when the interface she did not build is threatened by fuels she was not funded to treat, the demand arrives —

from every actor in this chain — to defend it at any cost. Her leader's intent to the incident organization must reconcile what the community demands, what the land requires, and what she is willing to ask of the people on the line. Her rationality is the statute and the safety of her workforce. Her interest is a system where the work she does counts and the risks she declines are understood as judgment rather than abandonment.

Nate Ybarra — District fuels officer, federal fire system

Answers for. The treatment program on the district: prescribed fire windows, mechanical thinning contracts, and the maintenance burden of every acre already treated.

Can see. The ground truth — which drainages will carry fire to the town and which will not, treatment by treatment. He can watch his completed units change fire behavior in real time. He cannot make a single model, rate, or premium acknowledge that it happened.

Stated position. “Give me windows, funding I can plan on, and air I’m allowed to put smoke into, and I will change what the fire can do before it starts.”

Underlying interest. Multi-year funding reliability and risk-tolerant authorization — the conditions under which prevention can compete with response — and some mechanism by which the risk his work retires shows up somewhere other than his own after-action files.

Nate works at the point where the system's stated strategy and its actual incentives diverge most completely. Every doctrine document elevates fuels treatment; every budget cycle funds it as the discretionary line while suppression draws whatever the season demands — the money teaches the opposite of the strategy (Coil 2026a). His burn windows are compressed by climate on one side and smoke regulation on the other; his escape risk is personal and career-ending while his success is a fire that never makes the news. The insurance chain above him compounds the invisibility: a completed treatment protecting three hundred homes changes no catastrophe model, moves no rate, and earns no depopulation of the FAIR Plan — the most cost-effective risk reduction in the county, per the national mitigation-savings evidence (National Institute of Building Sciences 2019), priced at zero by every instrument that prices the risk it reduces. His rationality is to burn what the windows allow and document everything. His interest is the same legibility instrument every other node needs, approached from the land side: a public model and a certification regime that can see a treated landscape would convert his program, overnight, from a cost center into the county's most valuable financial asset.

Ray Osuna — Operations section chief, Type 1 incident management team

Answers for. The strategy that meets the fire — and every human being assigned to implement it.

Can see. The fire's present and near future: fuels, weather, topography, resistance to control — and the exact streets where the gap between what was built and what can be defended becomes a life-safety decision. He cannot see, and did not choose, any of the two decades of upstream decisions that shaped the ground he now works.

Stated position. "I will commit crews where the strategy justifies the risk. I will not trade firefighters for structures that were indefensible before we arrived."

Underlying interest. A defensible operating environment — communities built, hardened, and prepared such that protecting them is a tactical problem rather than a sacrificial one — and decision space in which the pre-commitment to life safety survives the political pressure of the moment.

Ray is the chain's terminal node, the position where the sum of every actor's rationality arrives as a single operational question: which of these streets can be defended without spending lives. The subdivision Walt approved, the parcels the market repriced instead of hardening, the fuels Nate was not funded to treat, the capability Prentiss cannot get modeled, the coverage whose absence means some of these homes are already total losses on paper — all of it converges into his division assignments on a wind-driven afternoon. His risk decisions are made under compression, against incomplete information, with the political weight of every upstream actor pressing toward commitment: the homeowner's equity, the county's tax base, the legislator's constituents, the carrier's exposure. His discipline is the pre-commitment made en route, before those pressures accumulate — the trigger points and defensibility assessments decided while decisions can still be deliberate (Coil 2026b). His rationality is the only one in this chain denominated in lives, which gives his interest a standing the others cannot claim: every instrument this paper recommends — hardened parcels, certified communities, treated landscapes, honest prices that stop subsidizing the indefensible — arrives on his fireline as a street that can be worked instead of written off. The insurance crisis and the firefighter-exposure problem are the same problem, priced in different currencies.

Thirteen positions, thirteen rationalities, no villain. The pattern across every node is identical: each actor is answerable for something real, is acting sensibly on the information their position provides, and is being defeated by information their position cannot provide — information some other node possesses and has no instrument to transmit. Maria's receipts, Denny's appetite signals, Nate's treatment maps, Prentiss's capability record: the truth exists, distributed. The market fails because the truth does not travel.

2.3 Why the Positions Collide — The Doom Loop

Assemble the thirteen rationalities and run them forward, and the collision is not a possibility; it is a schedule. Suppressed rates make the state's risk unwritable at the

approved price, so carriers restrict appetite — rationally. Restricted appetite sends the hardest risks to the FAIR Plan — by design. FAIR concentration converts a diversified market into an anti-portfolio holding the state's correlated tail — arithmetically. A capital event overwhelms the concentrated pool, and the assessment mechanism spreads the loss back onto every voluntary carrier — contractually — raising the cost of remaining in the state, which restricts appetite further. Meanwhile the costs escape the fire geography entirely: assessments, supplemental policies, and force-placed coverage reprice policyholders in ZIP codes that will never burn, which is precisely the contagion the loan-level data now documents (Nguyen and Wara 2026). Political pressure follows, and the fastest-polling response — more suppression, another moratorium — feeds the loop that produced the pressure.

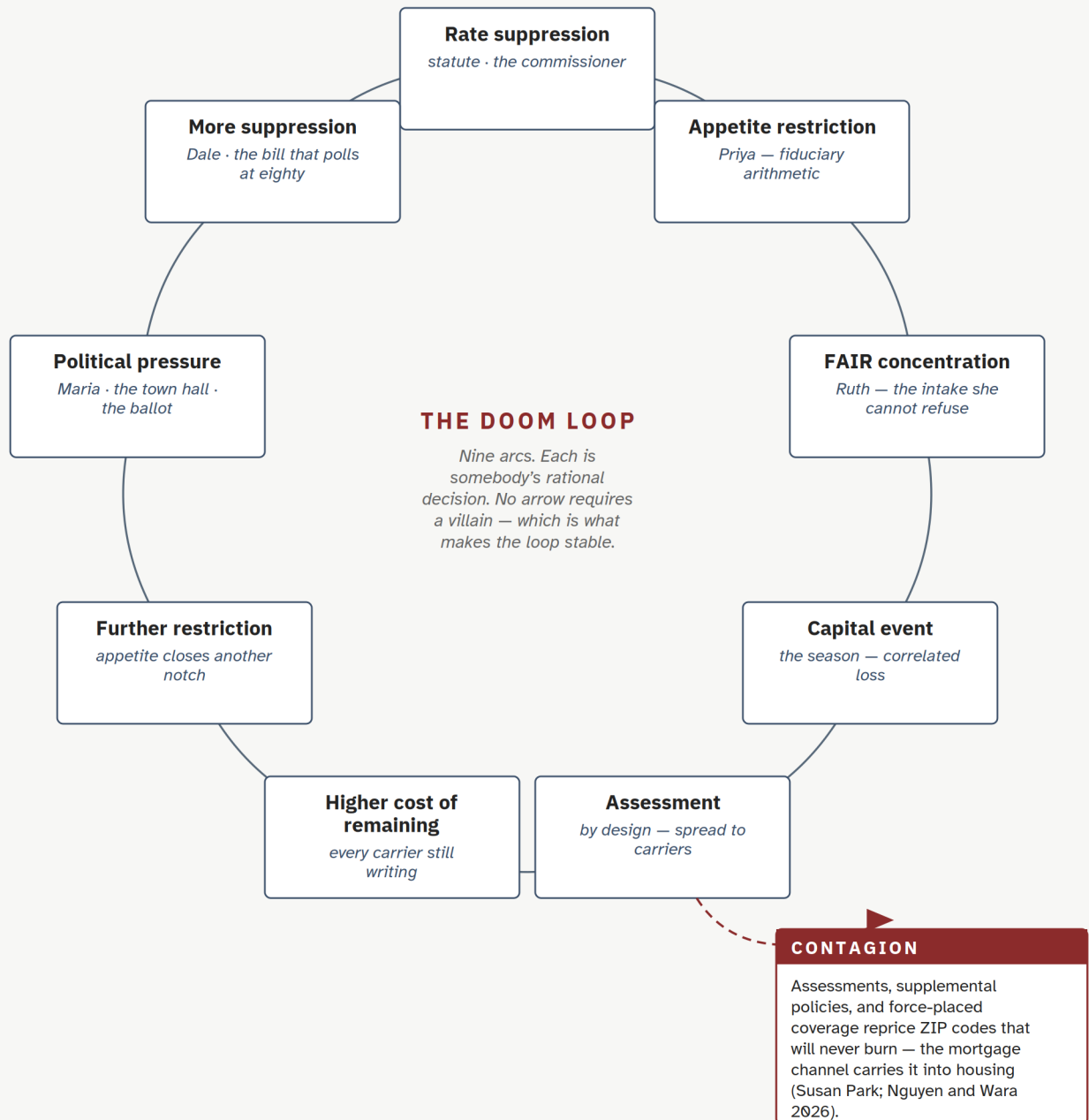
The loop's stability deserves emphasis because it is the analytical heart of the paper. A system failure driven by malice can be fixed by removing the malicious — investigation, enforcement, replacement. A system failure driven by rationality cannot be fixed by removing anyone, because every replacement, facing the same incentives with the same information, reproduces the behavior. The loop has consumed three insurance commissioners' tenures, multiple legislative sessions, and every carrier's California strategy since 2017 without requiring a single bad actor. That is not a defense of any node's conduct. It is the finding that determines which category of remedy can work: only interventions that change what a node can see or what a node is rewarded for — information instruments and incentive instruments — alter the loop. Exhortation, blame, and mandates against rational behavior alter nothing, because instruments reach people and exhortations do not (Coil 2026c).

FIGURE 2

The doom loop — each arrow is somebody's rational decision

The cycle runs: rate suppression → appetite restriction → FAIR concentration → capital event → assessment → higher cost of remaining → further restriction → contagion to low-risk pools →

political pressure → more suppression. Every arrow is labeled with the actor whose local rationality drives it.



No arrow in this loop requires a villain. That is what makes it stable.

2.4 Why Position-Based Legislation Fails

The legislative record of the crisis is long enough to test a hypothesis: interventions that answer an actor's stated position fail on a predictable schedule, while interventions that

answer the underlying interest show durable effect. The record supports the hypothesis with uncomfortable consistency.

The founding instrument set the pattern. Proposition 103 answered the consumer position of 1988 — rates are too high; force them down — with prior approval, an elected commissioner, and rate-making confined for decades to historical loss data. For a stationary risk environment, the framework functioned. When wildfire losses jumped regimes after 2017, the framework converted honest risk signals into political contests, and the carriers, unable to price forward-looking risk, restricted supply instead — the analytical consensus now traces the market contraction substantially to that collision between escalating risk and a rate framework built to resist rate movement (Nguyen and Wara 2026). The position won for thirty-five years. The interest — affordable coverage that exists — lost.

The moratorium instruments repeat the pattern at higher frequency. The one-year non-renewal protections after declared fire emergencies answer the homeowner position — stop the abandonment — and deliver real, humane, short-term relief. They also change no element of the underlying arithmetic: the risk, the rate ceiling, and the reinsurance cost all persist through the freeze, so the non-renewals resume on expiration against a market that concentrated further during the interval, as the January 2026 expiration in the 2025 fire ZIP codes demonstrated on schedule. Each extension — to commercial lines, to HOAs, to longer terms — is individually compassionate and collectively another turn of the loop: coverage mandated at prices that do not support it is exit deferred, not exit prevented.

The residual-market patches complete the set. Each FAIR Plan rescue — assessment authority, catastrophe bonds, credit lines, coverage expansions — answers the position that the safety net must hold, and each deepens the mechanism that endangers it: every improvement to the plan's coverage relative to its price increases the adverse selection concentrating the state's tail risk in the one entity least structured to hold it. The plan's own examination record — seventeen unimplemented critical recommendations, formal legal action over smoke-damage claim denials — is what a bridge institution looks like after a decade of being used as a destination (California Department of Insurance 2026).

FIGURE 3

The intervention-failure pattern — position answered, problem transferred

Three legislative families — rate suppression, moratorium, residual patch — traced from the position they answer, through the mechanism they leave untouched, to the node where the problem resurfaces and the interval on which it does.

Instrument family	Position it answers	Mechanism untouched	Transfers to	Resurfaces
Rate suppression — prior approval, historical-data rate-making (Prop 103 lineage)	“Rates are too high — force them down” (the homeowner)	The risk level and the reinsurance cost, both still rising	Carrier appetite — restriction, then market exit	Years later, as an availability crisis
Moratorium — non-renewal freeze after declared emergency (SB 824 family)	“Stop the abandonment” (homeowner and legislator)	Risk, rate ceiling, and reinsurance cost all persist	A deferred non-renewal wave, more concentrated market	On expiration — 12 to 24 months
Residual patch — assessments, bonds, credit lines, expansion (FAIR rescues)	“The safety net must hold” (every actor)	Adverse selection — each improvement deepens it	Costs assessed back onto the voluntary market	At the next capital event

Contrast family (2022–2026): mitigation recognition, model authority for write-back commitments, the public catastrophe model, hardening grants — each answers an interest, and each produced voluntary re-entry no mandate ever did.

Every failed instrument in the record answered a position. Every durable one answered an interest.

The record's other half is the pivot, and honesty requires documenting it with equal weight. Beginning in 2022 and accelerating after the 2025 fires, a different instrument family entered the statute book — and every member of it is an interest instrument. The Safer from Wildfires framework compels carriers to recognize documented mitigation across specific categories: Maria's receipts acquire actuarial standing. The Sustainable Insurance Strategy trades modeling authority for binding write-back commitments: Priya's interest (price the projected risk) purchased with Angela's interest (a market that exists). The public catastrophe model (SB 429) builds shared truth infrastructure so the rate fight can occur on common evidence: Marcus's legibility, Prentiss's capability, Nate's treatments all acquire, for the first time, a place where they could count. The hardening

grant programs fund the parcel work the discounts then reward. None of these instruments is proven at scale, and Part III challenges each. But the early market response — carriers filing to re-enter distressed areas, depopulation programs moving FAIR policies back to the voluntary market, renewal guarantees offered against certified hardening — is behavior no moratorium ever produced, because it is behavior no one was forced into. Each actor moved because the instrument made moving rational.

2.5 Positions Versus Interests — The Resolution Mechanism

The negotiation literature's central finding maps onto this crisis with unusual precision: positions — the things people say they must have — conflict far more often than interests, the needs underneath that the positions were adopted to serve, and durable agreement is reached by surfacing the interests and inventing options that serve them jointly rather than by contesting whose position prevails (Fisher and Ury 2011). The mapping is not a metaphor here. The wildfire insurance argument, as conducted in hearings, town halls, and rate filings, is a pure position contest — roll back the rates, honor the coverage, let us price the risk, protect the safety net — and Section 2.4 documented what position contests produce. Table 1 performs the interest surfacing for all thirteen actors.

TABLE 1

Stated positions and underlying interests, all thirteen actors

Actor	Stated position	Underlying interest
Maria Delgado	Make the carriers honor their side; my premium is unjust.	Affordable coverage that recognizes documented mitigation; equity preserved.
Denny Kwan	The carriers abandoned us; bring them back.	A functioning admitted market with options to place.
Priya Raman	We cannot write risk at rates below its cost.	Rate adequacy plus parcel-level risk legibility; a profitable book, not an exit.
Marcus Hale	California wildfire participates at a price, and the price went up.	Modelable risk and regulatory predictability; a market, not a lottery.
Ruth Vance	We are the safety net, not the solution.	Depopulation — a voluntary market healthy enough to take the policies back.
Susan Park	The mortgage requires insurance; lapses get force-placed.	Collateral protection and portfolio liquidity; a stable insurance market upstream.
Angela Reyes	I will hold insurers accountable for affordable coverage.	A functioning market she can answer for; a shrinking residual plan.

Dale Brister	Freeze non-renewals now; families are being abandoned.	Durable relief — a district whose homes can be insured, sold, and financed.
Walt Garrity	The project meets code; growth pays for services.	A county solvent now and still standing in thirty years — tax base and insurability both.
Chief Prentiss	We are better prepared than ever; I cannot explain your premium.	District and community capability made legible to the models that set the price.
Carol Jencks	The land and the law first; I will not spend lives where strategy does not justify risk.	Her risk-reduction work and strategic discipline legible to community and market; protection and workforce safety not forced into opposition.
Nate Ybarra	Give me windows and reliable funding; I will change what the fire can do.	Multi-year funding reliability; treated landscapes counted by the instruments that price risk.
Ray Osuna	I will not trade firefighters for indefensible structures.	A defensible operating environment; decision space where life-safety pre-commitments survive political pressure.

Read down the position column and the actors are at war. Read down the interest column and most of them are asking for the same three things.

The convergence is the finding. Strip the thirteen interests to their common structure and three shared requirements account for nearly all of them. First, risk genuinely reduced — Maria's hardening, Nate's treatments, Prentiss's capability, Walt's land-use standards, all of which lower the loss curve every downstream actor prices. Second, risk legibly priced — the parcel, community, and landscape truth transmitted in a form the models, the rates, and the capital markets can act on, which is what Priya, Marcus, Susan, and Angela require before their rational behavior can change. Third, a market that exists — the condition on which Denny's livelihood, Ruth's depopulation, Dale's district, and Angela's tenure all depend, and which no actor's interest opposes. Even the residual conflicts — and Part III insists on naming them — are conflicts about price and pace, not about direction.

FIGURE 4

Interest convergence — thirteen actors, three shared requirements

Each actor's underlying interest mapped to the three convergence points: risk reduced, risk legible, market exists. Solid dots mark primary dependence and hollow dots supporting interest; the red

strip carries the residual conflicts — price level, transition pace, and geographic retreat — that convergence narrows but does not erase.

	RISK GENUINELY REDUCED	RISK LEGIBLY PRICED	A MARKET THAT EXISTS
Maria Delgado	●	●	○
Denny Kwan		○	●
Priya Raman	○	●	●
Marcus Hale		●	●
Ruth Vance		○	●
Susan Park		○	●
Angela Reyes	○	●	●
Dale Brister	○		●
Walt Garrity	●	○	●
Chief Dave Prentiss	●	●	
Carol Jencks	●	●	
Nate Ybarra	●	●	○
Ray Osuna	●	○	○

● primary dependence ○ supporting interest

RESIDUAL CONFLICTS — NARROWED, NOT ERASED

Price level: honest pricing at current risk exceeds what some owners can pay (Maria versus Priya and Marcus).
 Transition pace: the electoral calendar versus the glide to risk-adequate premiums (Dale versus the sunset).
 Geographic retreat: the worst-sited ground has no certification exit — only a managed-transition question.

The argument is over positions. The interests were never more than one table apart.

The mechanism's operational meaning follows. An interest-based resolution does not require any actor to be persuaded, converted, or defeated — the requirement position contests impose and never meet. It requires instruments that let each actor serve their existing interest through behavior that also serves the others': a certification Maria can earn and Priya can price; a model Marcus can trust and Prentiss can appear in; a depopulation path Ruth needs and Denny profits from placing; an entitlement standard that lets Walt approve growth whose insurability survives its own buildout; a fuels program whose value Nate can demonstrate and a county can co-fund; a defensibility standard that reaches Ray's fireline as streets that can be worked. Every instrument in that sentence exists in prototype somewhere in the current record. What does not yet

exist is the table at which they are assembled into an architecture — and Part V is the design of that table.

Part III — Red Team Assessment

Where this analysis is most likely to be wrong, and what would show it

The preceding analysis is optimistic in a specific, checkable way: it claims that surfaced interests converge sufficiently for instruments to be built jointly. The claims most likely to fail, and the evidence that would reveal failure, follow.

Challenge 1 — The convening authority does not exist. The analysis prescribes a table without establishing who owns it. Insurance is regulated by states; the dominant risk driver sits on federal land; land use is local; capital is global. No actor in the chain holds authority over more than two of the thirteen nodes, and the historical record of voluntary multi-sovereign convenings in fire is a record of coordination bodies that recommend and adjourn. The counterargument — that the commissioner's statutory leverage over the market plus the governor's over the agencies constitutes sufficient convening power — is plausible and unproven. If the first convening produces a communiqué rather than a drafted instrument with signatories, this challenge is being confirmed.

Challenge 2 — Some interests genuinely conflict, and the framework risks laundering conflict as misunderstanding. Interest-based framing narrows disputes; it does not dissolve them. Marcus's capital mobility and Maria's coverage stability are in real tension: honest catastrophe pricing at current risk levels makes some parcels uninsurable at any premium their owners can pay, and no certification changes that arithmetic for the worst-sited ground. A resolution architecture that promises every actor satisfaction is misrepresenting the problem. The honest version promises narrowed conflict — disputes about price and pace on shared evidence — not the absence of losers. Some geographies lose. The instrument question is whether they lose by managed transition or by abandonment.

Challenge 3 — The mitigation-actuarial evidence base is younger than the instruments being built on it. The convergence architecture assumes that parcel and community mitigation reduces modeled loss enough to move rates materially. The engineering evidence for structure hardening is strong; the actuarial evidence — loss experience differentials at portfolio scale across certified communities — is early, because the certification regimes themselves are new. Carriers extending discounts and renewal guarantees against IBHS standards are extending credit to a promising but unproven asset. If a certified community burns with losses indistinguishable from an uncertified one, the legibility architecture takes damage it may not survive. The claim should be carried as a registered hypothesis with the loss data as its test, not as settled fact.

Challenge 4 — The conditioned backstop becomes the permanent subsidy. Part V recommends a transitional backstop holding the mortgage channel together while

mitigation scales. The national precedent for transitional insurance backstops is a program six decades old, structurally insolvent, and politically unrepealable. Every design feature that makes a backstop humane — broad eligibility, gentle pricing, renewal protection — is a feature that makes it permanent, and permanence recreates the exposure subsidy the architecture exists to retire. The design answer — hard sunset, mitigation-conditioned eligibility, premiums on a published glide to risk-adequacy — is drafted easily and defended against a decade of sympathetic hardship cases with great difficulty. The failure signature is amendment: each broadening of eligibility after enactment is the backstop beginning its conversion into the subsidy.

Challenge 5 — Collective action timing favors the loop. Every instrument in Part V pays off on a horizon longer than any actor's accountability window — and the loop pays its participants now. Walt's tax base arrives this fiscal year; the insurability erosion arrives next decade. Dale's moratorium polls this cycle; the deferred wave breaks after redistricting. The rational move for nearly every actor is to endorse the architecture and defer their own contribution — which is the same compounding rationality the paper diagnoses, now consuming its remedy. The mitigant is sequencing instruments so that early movers capture visible benefit within their own windows; whether such sequencing exists at sufficient strength is the design's hardest open question.

Challenge 6 — Interest-based process as theater. The genre risk: convenings, frameworks, and stakeholder processes are the natural habitat of institutions avoiding decisions, and this paper's recommendation could be executed entirely as performance — a table convened, interests dutifully surfaced, instruments perpetually pending — while the loop runs on. The futures analysis calls this signature the dog not barking: lowest-regret items studied, drafted, perpetually pending (Coil 2026a). The discipline that separates process from theater is pre-registration — instruments named, criteria published, and dates attached before the convening begins — and any convening that resists pre-registration is announcing which kind it is.

Part IV — Dissenting Alternative

The market-clearing case: the crisis is the correction

A credible reading of the same record reaches the opposite recommendation, and it deserves its full strength rather than a strawman's. The dissent holds that the crisis is not a failure to be resolved but a correction to be completed: after thirty-five years of administratively suppressed prices, the market is finally telling the truth about wildfire risk, and the truth is doing exactly what price signals exist to do — redirecting capital, disciplining land use, and repricing assets whose values were built on a subsidy nobody had itemized. On this reading, the 84 percent premium rise is not the disease; it is the fever breaking. Non-renewals are the market's hazard map, more honest than any the county publishes. The subdivision that cannot pre-sell because buyers cannot bind coverage is the exposure loop being cut by the only actor that ever cuts it. And every softening instrument — moratorium, backstop, suppressed rate, even the sympathetic mitigation credit extended ahead of its actuarial proof — re-anesthetizes the signal and rebuilds the loop.

The dissent's policy program follows: complete the transition to risk-based pricing without transitional cushions; let the FAIR Plan price at true actuarial cost so it repels rather than accumulates; allow uninsurable geographies to depopulate through the market's own arithmetic; and confine public spending to the one intervention prices cannot perform — buying out the retreat. The program's intellectual honesty is considerable. It requires no convening, no multi-sovereign table, no collective action — the mechanisms this paper's Red Team identified as the recommendation's weakest points — and it is already partially underway regardless of anyone's decision, which is more than the convening can claim.

The dissent fails, where it fails, on sequencing and on two externalities its arithmetic does not price. Sequencing first: repricing without mitigation instruments is not discipline; it is loss reallocation — the correction lands on whoever holds the asset when the music stops, which is Maria, whose eleven years of doing everything the pamphlets said is erased by a model that cannot see it. A price signal that cannot distinguish the hardened parcel from its neighbor teaches the rational homeowner not to harden — the signal disciplines virtue and vice identically, which is not what price signals are for. Second, the mortgage channel: housing finance transmits insurance failure into credit failure at a speed and scale the parcel-level arithmetic never prices, and the loan-level data shows the transmission already underway into ZIP codes carrying no material fire risk — a systemic externality, not a market clearing (Nguyen and Wara 2026). Third, the fireline: an uninsured community does not stop existing; it stops being anyone's financial problem while remaining Ray Osuna's operational one, and the dissent's program quietly converts financial retreat into an unfunded life-safety commitment for the responders who will

still be sent. The dissent is right that the price must eventually tell the truth. The recommendation absorbs that: the difference between the dissent and Part V is not whether repricing completes, but whether the truth arrives with instruments that let people act on it — or only with a bill.

Part V — Recommended Course of Action

The table, the instruments, and the sequence

The recommendation has three components: a convening architecture that can actually hold the thirteen rationalities at one table, an instrument set each actor can adopt from inside their own interest, and a sequence that respects the finding — confirmed across the futures analysis — that repricing instruments never emerge from the fire system itself and must be drafted in calm rather than in a catastrophe's emotional window (Coil 2026c).

5.1 The Convening Architecture

The table is state-convened, because the state is the only level holding statutory leverage over both the market (the commissioner) and the land-adjacent agencies (the governor), and because the futures record shows repricing arriving from insurance regulators and governors' compacts — never from federal fire institutions. Co-chairs: the insurance commissioner and the governor's office, with the federal land management agencies, the county association, the lenders, the carriers and reinsurers, the fire service, and organized homeowners seated as principals rather than commenters. The process discipline distinguishes it from the stakeholder theater the Red Team warned against, and the discipline has three rules. First, interests before instruments: the opening product is each principal's interest statement — what they are answerable for and what they require, in the format Section 2.2 modeled — published before any instrument is drafted. Second, pre-registration: the candidate instrument list, the evaluation criteria, and the drafting calendar are published at convening, so that perpetual pendency is visible as the failure it is. Third, the emotional-window rule: no instrument is finalized in the ninety days following a major loss event, because the record of legislation drafted inside the window is a record of positions winning.

5.2 The Instrument Set

I-1 — Community and parcel risk certification, legible to models. A single certification architecture — parcel standard nested inside a community standard, built on the existing IBHS frameworks rather than invented fresh — whose output is a data product catastrophe model vendors ingest by contract. This is the instrument that converts Maria's receipts, Prentiss's district record, and Walt's subdivision conditions into actuarial standing. Adoption logic per actor: Maria earns a discount and a renewal guarantee; Prentiss finally has a number his town hall can act on; Priya gets the parcel resolution her capital committee has demanded for a decade.

I-2 — Mitigation-conditioned availability. The regulatory half of the bargain: carriers writing in the state offer and renew coverage for certified parcels in certified communities, with pricing honest on both sides of the line — guaranteed availability where the standard is met, risk-adequate pricing where it is not. The pending legislative architecture already sketches this instrument; the convening's task is the calibration that keeps it an incentive rather than a mandate carriers exit around. Adoption logic: Angela trades her hardest political problem (availability) for her most defensible position (honest pricing); Dale gets the durable relief his moratorium could not deliver; Denny gets a market to place into.

I-3 — The public catastrophe model as shared truth infrastructure. The SB 429 public model, funded to completion and governed for credibility — transparent methods, adversarial review, and a formal channel by which certified mitigation, fuels treatment, and district capability enter the model as data. This is the single instrument serving the most interests simultaneously: Marcus's legibility, Priya's defensible filings, Angela's evidence-based rate review, Nate's treatments counted, and the public's ability to audit the number that prices their home. It is also the trust condition for every other instrument, which is why it sequences first.

I-4 — Cross-boundary risk accounting. A formal accounting by which federal and tribal fuels treatment enters the community certification and the public model — making Carol's program and Nate's units visible to the market that benefits from them — paired with co-funding channels through which counties and carriers can buy treatment on the ground that protects their tax base and their book. The adoption logic runs both directions: the land agencies gain a constituency and a funding stream for the discretionary work the regime tension starves; the county and the carriers gain the largest single lever on their actual loss curve.

I-5 — The conditioned, sunsetted backstop. A transitional availability backstop holding the mortgage channel together while certification scales: eligibility conditioned on documented mitigation progress, premiums on a published glide to risk-adequacy, and a statutory sunset with teeth. The Red Team's Challenge 4 is incorporated as design: the backstop's charter names its own failure signature — eligibility broadening by amendment — and assigns the commissioner a standing obligation to report against it annually. Adoption logic: Susan's portfolio holds; Ruth's plan finally has somewhere to depopulate toward; Maria has a bridge that rewards the work instead of erasing it.

I-6 — Land-use fiscal repair. The slowest instrument and the deepest: insurability findings at entitlement, hazard disclosure with standing in the transaction, and mitigation-parity in state disaster cost shares so that the county that reduces exposure is treated at least as well as the county that creates it. This is the only instrument reaching the exposure tension at its source, and its adoption logic is the one the market has begun

supplying unbidden — Walt's phase two already cannot pre-sell; the instrument converts that ambush into a standard he can plan against.

5.3 Sequence and Implementation Considerations

The sequence follows from dependency, not preference. Truth infrastructure first: I-3 and I-1 begin immediately, because every conditioning instrument depends on a certification to condition on and a model to register it in, and because they are the trust-building work — the instruments no actor experiences as a concession. Conditioning instruments second: I-2 and I-5 draft in parallel with the certification build and activate against its milestones, so that availability guarantees and backstop eligibility switch on as the standard they depend on becomes real. Fiscal repair throughout: I-6 and I-4 start first and finish last, because statute and intergovernmental machinery move on the longest clock and the exposure tension compounds daily while they do.

Three implementation considerations govern the whole. Cost discipline: the instrument set is deliberately weighted toward legibility and conditioning — information architecture rather than subsidy — because the national mitigation-savings evidence supports the return on the risk-reduction work itself (National Institute of Building Sciences 2019), and because the one heavily subsidized instrument in the set (I-5) is the one the Red Team flags as most dangerous. Evidence discipline: Challenge 3 stands — the certified-community loss differential is a registered hypothesis, and the convening should commission its actuarial test at launch, with the first certified-community loss experience treated as study data rather than as ammunition for either side. And the window discipline: the futures record is unambiguous that the items not completed early are, in most branches, never completed, and that instruments drafted inside a catastrophe's emotional window answer the loudest position rather than the interests (Coil 2026a, 2026c). The work is boring, the paperwork is tedious, and the alternative histories are built almost entirely out of whether it got done.

THE CLOSING CONSEQUENCE

Every actor in this paper can wait, rationally, for the others to move first — and the loop pays them to. The one actor who cannot wait is the last node in the chain: the operations section chief on a wind-driven afternoon, sorting streets into the defensible and the indefensible, inheriting as a life-safety decision everything the system upstream declined to decide as a financial one.

The insurance crisis and the firefighter-exposure problem are the same problem, priced in different currencies. Solve it at the table, or it will continue to be solved on the fireline — at the exchange rate the fireline charges.

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About

Jayson Coil is the founder of Cogplexiti LLC, an embedded problem-solving and red-teaming practice in Flagstaff, Arizona. He serves as an assistant fire chief and as a Type 1 operations section chief on a national incident management team, and is the author of the Operational Leader's Field Guide and the Systems & Decision Analysis series, including The System Tier and The Incident Tier. This white paper extends the structural analysis of those volumes into the property insurance market, and is paired with a companion audio production carrying the same thirteen actors into the default future the paper exists to prevent.

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“No arrow in this loop requires a villain. That is what makes it stable.”

Premiums nearly doubled in five years. Carriers halted new business, the insurer of last resort tripled, and the thinnest coverage in the market now backs a growing share of new mortgages — in ZIP codes that will never burn. The public argument treats this as a story of villains: greedy carriers, captured regulators, entitled homeowners, reckless counties. Every version of that story has produced legislation, and every round of that legislation has made the mechanism worse.

The wildfire insurance crisis is a system of rational actors whose individually sensible decisions compound into collective failure. Because the diagnosis is structural, remedies that punish positions fail on schedule. The only durable exits are instruments each actor can adopt from inside their own rationality — and finding them requires surfacing the interests underneath the positions.

This analysis moves in three parts. First, the actor chain: thirteen people, from a homeowner with a folder of receipts to the operations section chief who inherits every deferred decision as risk measured in lives — each answerable for something real, each defeated by information their position cannot see. Second, the collision: the doom loop that requires no villain, and the thirty-five-year record of position-based legislation transferring the problem instead of solving it. Third, the way out: the interest convergence, six instruments, and the table at which they get built.

Nobody’s Villain extends the Cogplexiti Systems & Decision Analysis line. The System Tier established the structural account — including the exposure tension this crisis prices. The Incident Tier documented the coordination machinery that meets the fire. This paper follows one consequence of that architecture to the kitchen table, and back. A companion audio production, *The Default Future*, carries the same thirteen voices into the future the paper exists to prevent.

ABOUT THE AUTHOR

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