

After 2017 fires, more Sonoma County homeowners turn to state for insurance coverage

The Press Democrat

Homeowners are finding it more difficult to obtain insurance to cover their homes in wildfire-prone areas of California, especially in high-risk regions such as communities in the Sierra Nevada, according to a report released Tuesday by the state insurance department.

Insurers declined to renew 167,570 of the 9.65 million homeowner policies in the California private insurance market in 2018, according to a report by California Insurance Commissioner Ricardo Lara's office.

"I have heard from many local communities about how not being able to obtain insurance can create a domino effect for the local economy, affecting home sales and property taxes," Lara said in a prepared statement. "This data should be a wake-up call for state and local policymakers that without action to reduce the risk from extreme wildfires and preserve the insurance market we could see communities unraveling."

In the top 10 counties with the most homes located in the highest risk wildfire areas — which don't include Sonoma, Lake or Mendocino counties — the number of new homeowner policies issued and policies renewed fell by 8,700 from 2015 to 2018. Meanwhile, the number of homeowners in these 10 counties who had to depend on coverage provided by the state's insurer of last resort increased by 177% during the same time frame.

Sonoma County has not seen a spike in homeowners having their property insurance policies dropped in the aftermath of the October 2017 wildfires, according to the report. But more county homeowners last year had to turn to the state's nonprofit insurer of last resort, dubbed the FAIR Plan, which provides structure coverage just for fire and smoke damage.

The full effects locally on homeowners' ability to secure private insurance after the Tubbs fire two years ago has yet to be determined because state law requires insurers to renew property insurance policies

for two years following a total loss from a natural disaster.

What's clear is property insurers have been assessing their risks statewide and are seeking to increase annual premiums on homeowner policies covering properties located in areas with greater chances of being damaged or destroyed in future wildfires. During the past two years, home insurers have submitted more than 100 requests for premium increases to the state insurance commissioner. That is more than double the number of requests for premium hikes in 2015 and 2016.

Last year, insurers refused to renew 2,323 homeowner policies in Sonoma County of 135,000 policies overall, according to the insurance department's report. That figure was similar to the number of nonrenewed policies annually since 2015. However, the number of homeowners in the county in 2018 who chose not to renew a homeowner policy increased by 12%, from 11,203 in 2017 to 12,511 last year. Amy Bach, executive director of United Policyholders, a public interest group representing the interests of consumers, said the jump in homeowners here dropping their own coverage last year was likely the result of some of the owners of the 5,334 homes destroyed in the Tubbs fire electing not to continue to pay their annual policy premiums for what remains on their torched lots.

"A lot of people who haven't rebuilt got tired of paying for homeowner insurance) on an empty lot," Bach said of Sonoma County homeowner policyholders.

The county did have a higher number of homeowners last year relying on the state for coverage. In 2018, 121 Sonoma County homeowners signed up for the state's FAIR Plan, a 42% increase from the 85 in 2017. Another 189 local residents renewed their property policies through the state.

Statewide, the FAIR Plan added 21,848 new homeowner policies last year to go with 117,374 renewals. "I think it's fair to say we will certainly see more nonrenewals)" of homeowner policies statewide and more people living in areas at greater risk of fires having to depend on the state to insure their properties, said State Sen. Bill Dodd, D-Napa.

Even if homeowners can continue to buy insurance coverage in the private marketplace, they are likely to pay more for the policies, Bach said.

"We're looking a little more at affordability than availability," she said of her immediate concerns in California's homeowner insurance market.

The insurance industry contends the rate of declining to renew homeowners coverage in areas of high-to-moderate risk of fires has been steady at 2% of overall policyholders in recent years, and that insurance companies still continue to issue a "significant number" of new policies in those areas.

"The data is clear. Insurers remain committed to covering homes in rural and urban zones, despite paying out more than \$26 billion in claims from the 2017 and 2018 wildfires," according to a statement

from Mark Sektnan, vice president of the American Property Casualty Insurance Association, and Rex Frazier, president of the Personal Insurance Federation of California.