United Policyholders
Empowering the Insured

After wildfires, hundreds of thousands of Californians can't get insurance

CBS News

An estimated 350,000 California home and business owners are unable to get property and casualty insurance after last year's devastating wildfires.
As the threat of mega-fires grows across the state, California's insurance commissioner predicts the situation will get worse.
Consumers say insurers are "holding us hostage," noting that people can't get a mortgage without home insurance.
Dave DuPell is a long-time homeowner in Grass Valley, California, which is located near the site of the devastating "Camp Fire" in November that killed 86 people and incinerated 18,000 homes and businesses. Now he – and hundreds of thousands of other residents – are confronting another dilemma: No homeowners' insurance.

"Our insurance companies are saying, 'We're done with you!'" he said.
Like many other residents, DuPell's home is located on the so-called "interface" between suburb and woodland, where California's dry brush and beetle-ravaged trees stand side-by-side with expensive homes worth an average of half a million dollars. Given this scenario, property-casualty insurance companies are refusing to insure more than 350,000 homeowners in 10 counties seen as vulnerable to fires, according to published reports.
"We are seeing an increasing trend across California where people at risk of wildfires are being non-renewed by their insurer," said state Insurance Commissioner Richard Lara in a statement.
"Holding us hostage"
Among their concerns, consumer groups says, is that loss of coverage could create a domino effect of declining home values because it's impossible to obtain a mortgage without homeowners insurance. That could scare potential buyers, as well as make it tougher for current homeowners to refinance their properties.
"The insurers have to come up with a better response than simply canceling policies,' said Amy Bach,

executive director of United Policyholders, a San Francisco-based advocacy group. “They are holding us hostage, because you have to buy their product.”

Insurance Commissioner Lara has been meeting with local leaders in the 10 counties affected by this and, by all accounts, getting an earful. Nearly a quarter of a million homes are located in the fire-ravaged areas.

The latest data from the California Department of Insurance shows that property-casualty coverage for homes and businesses was already becoming harder to find due to fire losses in 2015 and 2017. That pattern continued in 2018, when 10% of property owners lost coverage.

But that was only the prelude. Last year was the most devastating for fires in the state’s history, with 103 lives lost and 2 million acres scorched. In other words, the 10% of non-renewals doesn’t begin to measure what Lara calls “the full impact … linked to the devastating 2018 fires.” This is likely to be felt later in 2019 and well into the future.

Lara said that the situation for homeowners may get a lot worse because “not being able to obtain insurance can create a domino effect,” driving down home sales and starving local communities of property tax revenues. “Without action … we could see communities unraveling,” he warned.

One solution is to raise insurance rates, but rate increases take time to get approved. “Insurers are now filing with the state for multiple rate hikes,” Bach said. And it’s more than likely they’ll get huge increases.

“We paid out more than $26 billion in claims from the 2017 and 2018 wildfires,” said Rex Frazier, president of the Personal Insurance Federation of California. “With years of repeated wildfires, we’re now facing ‘a new normal.'”

And that new normal could mean a triple or quadruple increase in premiums. DuPell points out that his neighbor – ironically himself an insurance agent – saw his annual homeowner’s insurance rate skyrocket from $1,200 to $4,000. And he could be one of the lucky ones.

Insurance of last resort

Homeowners who can’t buy regular insurance wind up in California’s “FAIR” plan, a last resort for purchasing property coverage. This plan is typically much more expensive than a traditional homeowner’s policy and offers bare-bones coverage that doesn’t normally include theft, wind, water or earthquake damage, Bach said. Between 2015 and 2018, there was a 177% increase in homeowners residing in the state’s 10 “high risk” counties who were forced into the FAIR plan.

In the past, regular insurers told homeowners they could lower their premiums – or avoid going into the state’s FAIR plan – by building a “defensive dome” around their properties. That involved clearing away brush, trees and bushes; moving lawn furniture; spraying fire retardant; and replacing cedar shake roofs

and other burnable substances with non-flammable products.
Now, armed with drone data that shows where the next big blaze is likely to happen, insurers simply cancel policies.
“They are admitting that nothing will work when there’s a firestorm,” DuPell said.

The resentment homeowners feel toward property insurers – justified or not – is intense. It’s possible that Bach and others may advocate for a radical solution that’s been used to pressure insurers in other states that threatened to bail out: Deny them the right to sell profitable auto insurance policies unless they retain homeowners’ insurance policies.
In the interim, Bach suggests the following plan of action for California homeowners in regions impacted by fires:
Try to get your current insurer to keep the policy in place.
If unsuccessful, shop around for another regular home insurer.
If that doesn’t work, buy the FAIR plan, but add on all the supplemental coverage you can.