

[Anguished homeowners struggle to keep their insurance](#)

The Orange County Register

Kerry McCalmont's insurance company told her to cut down the majestic oak tree towering over her Glendale house if she wants to renew her homeowner's policy.

But there's a catch. A city ordinance declares that indigenous trees are "natural aesthetic resources" that add "distinction and character" to its neighborhoods. They cannot be damaged or destroyed.

McCalmont spent \$3,200 to remove bushes and trim her trees, clearing the limbs within 10 feet of her roof. The fire department inspected and said the tree wasn't a hazard, she said.

To no avail. On Tuesday, Sept. 17, the insurance company informed McCalmont it won't renew her policy.

"I feel like I'm stuck between a rock and a hard spot. I can't comply," said McCalmont, 60. "I've been in a fire zone ever since I moved in. But I think that because of everything going on and all the fires and all that, it's been a bigger deal."

McCalmont is one of thousands of California homeowners facing extreme hassles renewing their insurance policies, often seeing their premiums double, triple or more. Many, like McCalmont, are being told their insurance won't be renewed.

A trio of heat-triggered fires across Southern California this month serves as a reminder of the risks behind the insurance crisis.

Wildfires have consumed almost a million acres annually over the past five years, according to CalFire, and resulted in 150 deaths since 2017.

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Starting in 2022, at least seven of the state's top 12 insurance companies have paused new policies or pulled out of the state entirely.

From Malibu to Chatsworth, from the San Bernardino Mountains to Laguna Beach, residents in wildfire zones are feeling the pinch.

Many homeowners are being forced to use an insurance company they've never heard of or to enroll in the high-cost program of last resort, the state-created FAIR Plan, said Amy Bach, executive director of United Policy Holders, a San Francisco-based consumer education and advocacy group.

"The competition is just not there the way it was," Bach said in July during a Realtor-sponsored panel discussion. "Shopping in this market is a lot harder than it used to be."

As of June, there were more than 408,000 policies in the FAIR Plan, up 164% from 2019, according to state figures.

The plan's share of residential policies increased to 3.1% in 2022, up from 1.6% in 2018, state Department of Insurance figures show.

"It's just a mess right now in California," said insurance broker Wendy Holt of Yucaipa. "Every day, we get calls from people with homeowners policies non-renewing because companies are pulling out of California."

Holt said 75% of her clients are seeking new policies after their carrier refused to renew their coverage.

The problem is perhaps more critical for homeowners' associations, many of which can't get full coverage at any price, said HOA insurance broker Patrick Prendiville of Dana Point.

"Complete chaos," he said of the insurance market, which is characterized by "crazy high premiums (and) a lack of availability."

"I've seen properties in wildfire areas (with) ... huge increases in premiums, by a factor of five, six, seven, eight times — oftentimes (with) a reduction in coverage," he said.

Paying through the nose

In most towns, potholes, crime and traffic are common topics. In Laguna Beach, city officials also hear complaints about insurance.

Ninety percent of the south Orange County city sits in a high-fire severity zone, and rising premiums and renewal denials are commonplace, said Mayor Sue Kempf.

The city council chambers were packed in late August when residents turned out to hear a deputy insurance commissioner explain what the state is doing to resolve the crisis.

“Everybody’s in the same boat. You can’t get insurance, or you’re paying through the nose for it,” said Kempf, who had to scramble for a new carrier herself in 2020, when her insurer stopped writing policies in California.

In nearby Laguna Hills, the Laguna Village townhome community has been severely under-insured since its carrier cut coverage to just \$5 million in 2022, down from \$251 million. At the same time, the premium more than doubled to \$883,000 despite the 98% coverage reduction.

“No insurance company or no group of insurance companies would sell us that amount of insurance, even if we had the money,” Laguna Village General Manager George Ross said. This year, the community’s coverage was increased, but only to \$35 million — about a tenth of its total value.

Without adequate insurance, lenders won’t provide loans, making it difficult to refinance mortgages or sell.

“I get called by every buyer, every seller, every lender, every agent because it’s a common problem everyone want’s to overcome,” Ross said.

Laguna Village resident Patti Casas was hoping to move to Oregon in about two years to be closer to her family. Now that’s in doubt.

The community levied two special assessments for maintenance because so much of its revenue has been going for insurance, she said.

“For the people who have tried to sell, it’s been difficult. Think about it. We have practically no

homeowner's insurance," said Casas, 66. "It's not getting better with all these current wildfires. ... We're always watching where fires are around us. You always live with this fear. Could we lose everything?"

Rising cancellations

California insurers canceled or declined to renew almost 242,000 policies in 2021, the most recent year available, insurance department figures show. That's up 46% from 2018.

The crisis is affecting a broad swath of businesses, homebuilders and affordable housing developers as well as homeowners and HOAs, state Insurance Commissioner Ricardo Lara said Tuesday, Sept. 17, during a state Assembly hearing at Los Angeles City Hall.

"If an affordable housing organization, a nonprofit, cannot get insurance, their projects aren't going to get built," he said.

Real estate agents also are seeing the impact on transactions.

According to the California Association of Realtor's 2023 housing market survey, 17% of agents said getting insurance has been a problem for their clients, due mainly to high costs or denial of coverage. Almost 7% of deals fell out of escrow because of a failure to obtain affordable insurance, the survey showed.

Lara's department hopes to complete a major overhaul of state insurance regulations by December, streamlining rate hikes and giving insurance companies more leeway to justify premium increases.

Lara's proposed five-component plan includes provisions limiting rate-hike reviews to 60 days, with a 30-day extension if needed.

"Reducing unnecessary delays is critical to getting our state's insurance marketplace back on track," Lara said. "It is unacceptable that ... rate filings can take months or even years longer than the timeline that the voters set in law more than three decades ago."

Insurers also could use computer-generated "catastrophe modeling" to determine future risks. And they could base rate hikes on their costs to buy "re-insurance," or backup policies companies use to reduce their financial exposure to disasters.

“This has been an all-hands-on-deck effort involving every branch of our department,” Lara said.

Consumer advocates and even one former insurance commissioner have criticized the proposed revisions as a capitulation to insurance companies.

But Lara insists they’re needed to halt the exodus of providers and restore certainty to the insurance market. Insurance companies and their trade groups praised the proposed reforms, and Allstate announced plans in April to end its years-long pause on underwriting, Bloomberg reported.

“We’re ruffling people’s feathers, but that’s what our job is,” Lara said. “Insurance touches absolutely every aspect of our life, and so we need to make sure that we’re meeting this moment.”

‘Fire! 911!’

Sunland resident Evan Cervantes had to swallow a doubling of his insurance premium when it renewed this year because no other company would insure him.

Then, about a month ago, his frustration turned to terror when a small brush fire came within 10 feet of his home near the Verdugo Mountains.

“Fire! 911!” his wife shouted over the phone as flames approached their home.

When he got home, three fire trucks were dousing a blaze that burned part of his wood fence and scorched the bougainvillea that gave his home much of its curb appeal.

Nevertheless, Cervantes, 38, isn’t filing a claim.

“We don’t want to get dropped. We don’t want our premium to go up,” he said. “Our mindset is we’re already being charged out the nose for insurance.”

Jennifer deNicola of Calabasas went through an ordeal when her insurer required her family to get certification from home-safety group Wildfire Prepared before renewing her policy.

The checklist of improvements required deNicola and her husband to clear a “5-Foot Noncombustible Zone” around the perimeter of their two-story home and clear away nearby plants. She guessed that the relandscaping could cost as much as \$5,000.

“You can’t have any hedges,” said deNicola, 53. “(And) no wood. Like, even your gate cannot be made of wood.”

She got the certification by the July deadline, but just barely. Then came the “sticker shock.”

Her new premium would jump to more than \$18,000 from under \$9,000 a year. She got her renewal cost down to around \$15,000 by increasing her deductible and adding a water shut-off valve.

“It’s still crazy. It’s still almost double,” deNicola said. “But it’s the best I can do.”

McCalmont, the tree owner in Glendale, said she’s still trying to convince her insurance company to renew her policy, which doesn’t expire until December.

Her saga began in July when her insurance company sent her an aerial photo of her home, saying she didn’t have “defensible space” because of the trees near her house. They gave her until mid-September to send photos showing there was adequate space between her house and her vegetation.

After she sent in photos showing trimmed trees and cleared brush, the company still balked at renewing her policy until she cuts down that oak tree next to her house.

Her broker called the company to negotiate, but hasn’t gotten a call back, McCalmont said.

“Talk about stress and being a little angry,” she said. “It’s beyond my control.”