[As fire danger grows, some homeowners are seeing coverage dropped]

Los Angeles Times

As California's five-year drought continues, and with fire danger an ongoing threat to many homeowners, it comes as no surprise that insurance companies are feeling increasingly antsy about the risk of policyholders' property going up in flames.

But that doesn't mitigate the kick in the teeth some homeowners are receiving from insurers by losing their coverage.

"Our house has been covered by Hartford for 18 years," San Dimas resident Lloyd Parry told me. "As of next month, our coverage is being stopped because of what they say is greater wildfire exposure."

That's nearly two decades of shelling out roughly $1,800 a year, never once, he said, submitting a claim or missing a payment — all counting for nothing because someone, somewhere within the Connecticut insurance heavyweight decided that Parry's numbers no longer pencil out.

"I called Hartford and asked what was different," he said. "They wouldn't tell me anything except that I'm not being renewed."

I took a look at Parry's two-and-a-half-acre Scarborough Lane property on Google Maps. There seemed to be considerable open space between his house and nearby foliage.

"Nothing's changed," he said. "Same trees. No brush. Everything is the same."

Well, at least did someone from Hartford come out and inspect the property before pulling the trigger on his coverage?

"No. I've asked them to, but no one has come."

It’s perfectly reasonable that homeowners at greater risk of losses should pay commensurately higher premiums than those facing less risk. A growing threat of drought-related brushfires has caused some California residents’ rates to rise by as much as 40%, according to recent reports.

Termination of coverage, on the other hand, is a more extreme response by the insurance industry. Rather than face greater risk, some insurers are deciding to simply cut and run.

“We know there’s a problem out there, but we don’t know how big it is,” said Amy Bach, executive director of the advocacy group United Policyholders. She said there’s not enough data available yet to determine how many homeowners share Parry’s fate.

“There have been some non-renewals,” acknowledged Mark Sektnan, vice president of the Property Casualty Insurers Assn. of America. “But remember, we’re still dealing with a very competitive market.”

He said that even if a homeowner is cast adrift by his or her insurer, dozens of other firms stand ready to talk turkey.

Nancy Kincaid, a spokeswoman for the California Department of Insurance, said the same. Although there have been complaints about people’s coverage not being renewed for fire-danger reasons, she said, officials believe such people still have options.

If nothing else, there’s the California Fair Plan Assn., an industry-financed entity providing “insurance as a last resort” that is usually less comprehensive.

That might come as little comfort to people like Parry, who are being told by insurers that their business is no longer wanted.

“It feels really personal, we get it,” Kincaid said. “It’s not personal.”

What’s happening, say officials and insurance-industry representatives, is that insurers are trying to reduce their exposure to risk by limiting the number of homes covered in fire-prone areas. This is known in industry jargon as “adjusting the books.”

“Insurers look at their book of business and make assessments based on their loss history,” said Janet

Source: https://uphelp.org/as-fire-danger-grows-some-homeowners-are-seeing-coverage-dropped/ Date: July 1, 2024

Ruiz, California representative for the Insurance Information Institute, an industry-backed organization. “It’s a normal process.”

Kincaid said there’s nothing illegal about not renewing an insurance policy after years of coverage, provided the homeowner receives sufficient notice before the termination date.

She also said that as analytical tools improve, insurers are able to drill more deeply into fire data and risk projections, giving them a better sense of how many homes covered in any given area could tilt the risk balance against them.

And that’s all fine and dandy, except that insurers use proprietary systems to crunch these numbers, so it’s difficult to say whether they’re displaying unfairness toward consumers.

I contacted the California Department of Forestry and Fire Protection, a.k.a. Cal Fire, which provides information on fire risk to local governments. A spokesman said the area in which Parry lives is not considered a “very high fire hazard severity zone,” according to the most recent data available.

Bach at United Policyholders said it’s questionable what criteria insurers are using to determine the fire risk of specific homes. She said it’s unclear why one home may be deemed an acceptable risk while a nearby property will be ruled unworthy of coverage.

“Insurance companies seem less like they’re in the business of risk and more like they’re in the business of protecting profitability,” Bach said.

So what does Hartford have to say about giving Parry the heave-ho? Not much, unfortunately.

Matthew Sturdevant, a spokesman for the company, said that “the Hartford continuously evaluates the risks of doing business in states to appropriately manage our overall exposure, which enables us to pay homeowners’ claims when customers need us the most.”

“In California,” he said, “that evaluation includes looking at wildfire exposure and risk. We evaluate each property using industry standard wildfire risk criteria.”

I asked why Parry’s home is a greater risk this year than over the last 18 years. I also asked why no one from the company visited Parry's property to, you know, get the lay of the land.

Sturdevant replied that his previous statement was "the extent of our comment."

I'm not disputing that insurers have a responsibility to manage risk. Nor does it seem as if Parry is out of insurance options.

But any company that can't explain itself clearly to a longtime customer is a company that doesn't care for people's business.

If I was insured by the Hartford, which I'm not, I'd give some serious thought to that.