[As Fire Seasons Intensify, California Homeowners Struggle to Stay Insured]

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A changing climate, increasingly destructive fires, and disappearing insurance policies have left homeowners wondering how much risk is too much.
Sarah Fugate had already prepared a checklist for a moment like this one. Some of the items she grabbed were practical: a box of legal documents, a few external hard drives. Others were purely sentimental: a pair of leg warmers that she had worn to dance classes as a girl, the boutineer her husband had worn at their wedding.
The air had grown thick since she'd seen the initial plume of smoke rise above the canyon that afternoon. Now, as night fell and winds flared, her husband, Tom, could see the bright orange flames of the Lowell Fire dance on a nearby ridge when he stood at the top of their driveway. Sarah kept packing.
"You've got to bring your life down to whatever boxes will fit in your car," Sarah recalls now, some three years later, "You've got to figure out what's important."
When the couple moved into their home in California's Sierra Nevada mountains in 2011, they came for the fresh air. Retiring from demanding careers in Silicon Valley, they craved the trees—the pines and firs and spruce that dot the land. And they came for the people too; Dutch Flat is a quaint and friendly place, a tiny Gold Rush-era town peppered with hotels and saloons straight out of an old Western. They didn't worry much about wildfire.

Fortunately for them, when the Lowell Fire struck in 2015, firefighters were able to stop the blaze about a mile short of the Fugate home. The firefighters saved all but two structures from burning to the ground. Four firefighters were hospitalized for severe burns. Sarah and Tom never had to evacuate.
Over the next few years, the couple read reports of increasingly frequent and destructive wildfires. They acted accordingly, diligently removing trees that grew too close together and regularly clearing the ground of brush that could become tinder for a flying ember. Their house, built of fire-resistant drywall, roofing, and stone, passed annual inspections required of homes in areas that are at high risk for fires. All the while, Sarah revised her emergency packing checklist.

Then, in late august of 2017, they received a letter from Homesite Insurance, the company that had insured their home for over a decade.

The agency would no longer insure their home, the letter read. The explanation: “Property is located in a brushfire or wildfire area that no longer meets Homesite’s minimum standard for wildfire risk.” Homesite did not respond to multiple requests for comment.)

The Fugates called five other insurance companies. Each time, they were turned away. Based on their zip code alone, no insurer certified by the state of California would write a policy for their home.

In communities like Dutch Flat, nestled in Placer County, homeowners have seen an exodus of insurance companies. What happened to the Fugates has been playing out across California: Insurance companies are increasingly choosing not to renew homeowners’ policies in wildfire-prone regions—before disaster ever strikes.

Extreme heat brought on by a changing climate, a five-year drought, a crisis of dying trees, and decades of sprawling housing development have led to increasingly destructive wildfire seasons. Last year’s 9,000-plus wildland fires topped the charts, leaving over 1.4 million acres scorched, nearly 11,000 structures destroyed, and 46 people dead, including one firefighter. The fires in October and December alone cost insurance companies over $12.5 billion in insured losses to homes—and that’s not including the mudslides that flowed through scorched parts of Montecito in the aftermath of the Thomas Fire.

The 2018 season is shaping up to be much worse. Since January of this year, an area about twice the size of the city of Houston has burnt throughout California—more than triple that of the same period in 2017. The Ranch Fire, part of the Mendocino Complex Fires, became the largest wildfire in state history on Sunday, surpassing the record set by the Thomas Fire last December.

But some say it’s not just the wildfire season that has changed, but also the technology used by insurance companies to measure the risk of insuring a home. Judgment calls about which homes are too risky to insure are left increasingly to sophisticated computer models. The models, many of which are developed by out-of-state software companies, dole out fire risk scores based on images taken from space. But homeowners say the bird’s-eye view of those images can miss the painstaking measures people take to make their homes fire safe, and leave them scrambling to find riskier and more expensive policies.

The issue has spurred a debate between homeowners, the state’s insurance department, the insurance industry, legislators, and fire scientists, raising questions about who is qualified to assess fire risk and who is responsible for taking on that risk, and where it is no longer safe to live.

A Lack of Data

As company after company refused to insure their home, the Fugates grew increasingly nervous. Unlike health insurance, homeowners cannot really opt out of insuring their home. Without insurance, they won't be able to keep a mortgage; they'd stand to lose everything in the event of disaster.
They contacted the county. The county told them to reach out to the California Department of Insurance; they filed a complaint through the CDI's website. While the CDI remains a little-known agency, the number of complaints about non-renewals it received from homeowners in wildfire-prone areas more than tripled between 2010 and 2016. So did complaints about prohibitive premium increases.
After looking into the Fugates' complaint, the CDI responded that Homesite's decision to not renew the policy was perfectly legal. Eventually, the Fugates found a policy through Lloyd's of London, an international specialty insurance provider that is not regulated by the state. The new policy covered less and charged a premium that was 24 percent higher than Homesite's $2,274 per year compared to the $1,839). Still, the Fugates were grateful to have found a solution before the 2018 fire season rolled around.
Representatives at Lloyd's say that growing fire risk "creates opportunities" for so-called non-admitted insurance providers like Lloyd's) to find new business where admitted insurers will no longer tolerate the risk. Of course, non-admitted insurers are by definition unregulated, meaning the state can't prevent the insurer from excessive rate increases.
But the state also can't force any insurance company, admitted or not, to cover a property from fire risk—though, in some circumstances, Insurance Commissioner Dave Jones wishes he could.

During Jones' two terms as the top official in charge of leading the CDI to regulate the state's insurance industry, much of his attention has turned to the challenges of insuring against a changing climate. In California, that means wildfires. Jones makes frequent visits to communities struck by wildfire to make sure fire victims are fully aware of the help they can get from their insurers. He's also sponsored multiple bills to increase the protections provided to people who have suffered total or partial losses of their homes.
Last year, Jones responded to the growing volume of complaints like the Fugates' by requesting that insurance companies disclose how many policies they had non-renewed in the 24 counties with the highest risk. The data, published in January, showed that Placer County, where the Fugates lived, had the highest rate of non-renewals. In 2016 alone, one in every 93 homes in the county—a total of 1,515 properties—was not renewed by their insurance company.
The data also showed that insurance companies non-renewed 15.4 percent more policies in 2016 than the year before across those counties, totaling nearly 19,000 homes between the two years. But the

report also prompted many questions. Just how many homes were non-renewed due to wildfire risk across the whole state? And how much is that number growing?

Placer County Supervisor Jennifer Montgomery says she's heard from well over 100 homeowners who were dropped in her district due to fire risk, which includes Dutch Flat.

"There's probably hundreds and hundreds that I haven't heard from," Montgomery says.

That insurance companies are not required to report the number of homeowners they drop due to fire risk in each county is "incredibly frustrating," she says.

"This is not just a problem that is limited to the Sierra Nevadas and the Foothill counties," Jones says. "This is increasingly becoming a statewide problem.

But insurance lobbyists say Jones and other advocates have overblown the burden to homeowners.

"There is no evidence or data to support the concern that consumers are unable to secure homeowners' insurance in high-risk wildfire areas," Christian Rataj, the regional vice president for lobbying organization National Association of Mutual Insurance Companies, writes in an email. "Since consumers really should already be doing an insurance review on a regular basis as part of their on-going personal risk management … it shouldn't be a major inconvenience to them to have to periodically evaluate insurance options."

Some homeowners have turned to the state-provided Fair Access to Insurance Requirements plan. Known as the FAIR plan, the last-resort insurance offers limited and costly) coverage for California homeowners who can't obtain standard home insurance because of wildfire risk.

While statewide enrollment in the FAIR plan has declined in recent years, it's unclear how FAIR plan enrollment has behaved in counties at high risk for fires. The FAIR plan association declined to share those numbers, citing a lack of resources.

"The FAIR plan is the canary in the coal mine. I'm watching the Fair Plan policy numbers very closely," Jones says.

California's Intensifying Fire Season

If there's one thing that insurance companies, fire scientists, and homeowner advocates all agree on, it's that the intensity and frequency of California wildfires are only getting worse. A full 15 of the 20 largest fires in California's record have burned since 2000.

A century of putting out California wildfires as soon as they flare up has led to unhealthy, over-crowded forests that are vulnerable to drought and native bark beetles, says Chris Paulus, a former Cal Fire battalion chief who led the fight against the Lowell Fire that nearly threatened the Fugate home.

Since retiring in 2016, Paulus has been contracted by homeowners to clear unhealthy trees on their properties. There's no shortage of work. Nearly 130 million trees have succumbed to drought and bark beetle infestation since 2010, according to the Forest Service.

Add to that a record-breaking five-year drought and extreme heat spells brought on by climate change, and you've got large portions of California covered in dead, ignitable fuel that burns hot and fast.
"It's not a matter of if it will burn, but when it will burn," Paulus tells me.
Even so, he says that homeowners can significantly reduce the chances that their homes go up in flames by removing shrubs and trees around their properties and by remodeling homes with ember-resistant materials. As an experienced firefighter, he's seen the proof.
Former Placer County Emergency Services Manager John McEldowney first got involved when Governor Jerry Brown announced in late 2015 that the tree mortality epidemic was in a state of emergency. Brown created a tree mortality task force that convened the 13 most-affected counties.
McEldowney learned at the task force convenings that the homeowners' insurance problems he'd been hearing about were not unique to Placer. He began leading meetings with insurers, fire experts, legislators, and homeowners to look for a solution.
Those meetings highlighted one big problem, says McEldowney, who retired in April. "Your house could look like a putting green—very closely cropped grass, no trees—and the insurance company can say you're a fire risk," McEldowney says.
A year ago, McEldowney and representatives from nine other counties wrote to five national and state insurance associations. They asked that insurance companies factor in individual homeowners' mitigation efforts, local community firefighting resources, and higher-resolution satellite imagery.
Three of the associations, including NAMIC, responded two months later. "The last few years have seen more explosive fire events which go higher into the tree canopy, burn hotter and faster, and travel faster and farther. These fires have the potential to destroy everything in their path, regardless of an individual property's defensible space," the reply read. "While mitigation matters, we cannot lose sight of this much bigger, and influential, picture."
Fears of the Black Box
At the same time that members of the insurance industry say that reports of a shrinking home insurance market are exaggerated, a growing group of vocal homeowner advocates like McEldowney believe that insurance companies are overreacting to wildfire risk models created by third-party data analytics companies.
These models are black boxes to homeowners and give insurance companies an excuse to leave homeowners without coverage, says Amy Bach, executive director of United Policyholders, a national advocacy non-profit for insurance consumers.

“Insurance companies do have the right to choose their customers [and] rely on science in deciding what is a safe level of risk for them to take,” Bach says. “But they are not justified in dropping customers whose risk profile really hasn’t changed.”

The design of the risk models is proprietary and unregulated, but, in 2015, the CDI conducted a study of common fire risk models and found that most boil down to a few main variables, including the type and distribution of surrounding vegetation, the steepness and direction of the property’s slope, proximity to the nearest high-risk area, and accessibility for firefighters.

The models are constructed from satellite images with a 30-meter-by-30-meter resolution. As such, the images rarely capture efforts to prevent fire at the property level.

But the models by themselves are not meant to show a complete picture, say scientists at CoreLogic and Verisk, two data analytics companies that produce wildfire risk models.

The model distributed by CoreLogic provides a high-level assessment of risk, says Tom Jeffery, a senior hazard scientist at CoreLogic who works out of Madison, Wisconsin. He says that, while mitigation efforts like clearing vegetation and using fire resistant building materials are critical, they would be nearly impossible to incorporate into a computer model.

“It really takes somebody on site to do an evaluation to have an accurate and reflective view of what that risk really is,” Jeffery says. He encourages insurers to do just that

When Lloyd’s told the Fugates that their fire risk score was a six out of 10, at first Sarah Fugate was upset. After all, they’d poured money and time into making their home as safe as possible. But then she typed her address into Google Maps. At first, she could see the top of their roof and the area they had cleared around their house. But as she zoomed out, she watched as the pinpoint of their roof disappeared into dense forest that spread out for miles.

“When you look at it that way, you say, OK, I kind of understand’,” she tells me with a chuckle.

Short of being dropped from their insurance policies altogether, some of the Fugates’ neighbors have faced prohibitive premium spikes because of their risk scores. In May, insurance company AAA sent a letter to Jim DeCaro saying that the cost of his policy was increasing from about $2,700 to $3,700 per year.

The increase was due to his Fireline score, an AAA underwriter told him over the phone. Fireline is the fire risk model produced by Verisk. DeCaro listed the steps he had taken: logging around 150 trees within 150 feet of his home, installing fire-proof building materials, and covering all vents with fine mesh to keep flying embers from getting inside.

But to the underwriter, none of that mattered.

Many underwriters at insurance companies rely solely on third-party fire risk models when deciding whether to renew policies or write new ones in high-risk areas, according to multiple homeowners and independent insurance agents. Other companies will send an inspector or accept evidence that one homeowner has mitigated for wildfire risk, but won't do the same for other homeowners.

DeCaro's situation is typical, says Jennifer Ryan, an independent insurance agent in the neighboring town of Auburn who is helping DeCaro look for a cheaper policy.

"You can now have a hydrant on your lawn and a fire station next door and if you're Fireline score is a two, you're not getting a policy," Ryan says.

In a survey that United Policyholders distributed last year to California homeowners, of the nearly 200 respondents who said they'd been non-renewed in the last three years, over half reported that their insurer had explicitly cited the homeowners' FireLine score. Another quarter said their insurer had cited other reasons related to fire risk.

But insurer associations defend these decisions.

"Allowing insurers this reasonable and necessary business discretion is in the best interest of insurance consumers" because it allows insurance companies "to maintain financial stability," NAMIC's Rataj writes in an email.

Who's Responsible for Keeping Homeowners Insured?

Insurance Commissioner Jones expects that insurance companies will only get flightier—especially following the fires that destroyed thousands of homes in lowland urban areas not previously considered at risk, like Santa Rosa and Ventura.

"There's no question that insurers are updating their fire risk models in the wake of 2017 fires and they'll do so again after the 2018 fires," Jones told me in late July, while a dozen major fires blazed throughout the state. The Carr Fire, this year's most destructive thus far, had already damaged or destroyed nearly 1,200 homes and had killed six people. Since then, two more have died.

Jones believes that insurance companies should be required by law to cover homeowners who have complied with fire safety laws, even when that means taking on increased risk. In the January report he directed, he proposed legislation that would allow the CDI to monitor fire risk models and require that they account for homeowners' mitigation efforts.

"We're trying to bang the gong and make sure the legislature understands that there's a problem now," Jones told me in February. "There are some things the legislature can do to get ahead of it if they're willing to stand up to the insurance industry."

But Rataj criticizes the proposals as offering a "'one size fits all' approach to homeowners insurance" that would force insurance companies to raise premiums for policyholders throughout the entire state. So does Mark Sektnan, vice president of Property Casualty Insurers, a national insurers' association and lobbying group. "Insurers need to manage the risk they take on so they can be around to pay future claims," Sketnan writes in an email.

When asked about what had come of his January proposals six months later, Jones says that several bills he'd sponsored had been killed or "watered down to nothing."

One example is Senate Bill 824, proposed in December. In its original form, the bill required insurers to offer discounts and continued coverage to homeowners who had invested in their property's fire safety. But following significant lobbying and modification, the main provisions of the bill have been struck down. The current version sitting in the assembly appropriations committee would prevent insurers from non-renewing the homes that survive a fire for one year, but does nothing to address the people who are unable to find insurance before a fire ever strikes.

The bill would also require admitted insurance providers to submit information to the CDI about wildfire-related claims and their wildfire risk models every two years. Jones says he was glad that piece of the bill had survived. But it still wouldn't give the CDI any power to regulate the models.

Deciding When It's Time to Move

The increasing intensity and length of California's fire season raises troubling questions for homeowners living in wooded mountainous parts of California where wildfire is now a perpetual threat. Could costly, scarce insurance options give people the push they need to move away before the next disaster strikes?

To Jones, the premise of the question is all wrong. Insurance is too "crude" a price signal because "by the time you get to buying insurance, the home is built and you're in it.

Meanwhile, McEldowney worries that, rather than push homeowners out of high-risk areas, a lack of affordable insurance options will trap them in. If the state doesn't keep insurances companies from pulling out of high-risk fire areas, the Sierra Nevada may see a "significant negative impact on people, on home prices, on home value, [and] the ability to sell…. It's only going to get worse."

For Sarah and Tom Fugate, the decision to stay put is easy, despite the increased cost and a heightened fear of fire. As a child, Sarah Fugate spent her summers and Easter vacations with family in Placer County. During her professional career working in non-profit finance, she'd always dreamed of returning. Now, the couple lives just a few miles from the family home where Sarah spent so much of her childhood.

"We love it here," Sarah says. "It's a very close-knit community. We love the topography and the clean spring water."

Even so, the Fugates are always aware of the threat during the fire season, which now can continue into November and December.

“On a hot day and the wind’s blowing, yes, the idea is on the back of your mind, if not the front of your mind,” Tom says.

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