

California home insurance: Should you submit a claim, or will it get you non-renewed?

SF Chronicle

As insurance nonrenewals and rate hikes pile up in California, many homeowners are wondering: Will paying for repairs out of pocket rather than submitting a claim help avoid being nonrenewed and mitigate higher premiums in the long run?

Experts say the answer may be yes, if the cost is small enough. That's because insurers do take the number and cost of previous claims into account when deciding whether to write a new policy, renew the policy or raise their rates.

You likely won't get dropped for submitting a single claim, according to Janet Ruiz, strategic communications director for the Insurance Information Institute, an industry group. But repeated small claims for issues such as water damage may come across to a company as signs that a homeowner isn't performing maintenance on their home, she said.

Still, when one-time, costly events happen — such as a kitchen fire or a burst pipe — homeowners shouldn't be afraid to make use of their policy, Ruiz said.

"Insurance is for the big claims," she said.

Different insurers have different thresholds for when the amount of claims becomes a concern. CSAA, for example, notes in its rating manual that it will not write a new policy if the applicant has had more than five paid claims in the past five years. Allstate noted in a 2022 filing with the state that it would review policies for potential nonrenewal if there had been two or more claims in less than five years, including one in the past year.

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Ruiz suggests homeowners shouldn't submit a claim unless it costs more than their deductible — the amount paid out of pocket before the insurer steps in. To do so, she said homeowners should ensure the deductible they choose realistically reflects what they can afford to pay in the event of damage to their home.

Amy Bach, executive director of the consumer advocacy group United Policyholders, recommends a \$5,000 deductible for those that can afford it.

While carrying a higher deductible has always been a strategy for homeowners to keep their annual premiums lower, deciding when to submit a claim has become a greater source of anxiety for homeowners given the recent wave of insurers dropping policies and raising rates, according to Edan Cassidy, an independent broker in Scotts Valley (Santa Cruz County).

In the current environment, Cassidy agreed that homeowners who can afford to pay for damage out of pocket may be better off not submitting a claim.

"If you can absorb it, now's not really the time to do it," he said.

Homeowners can also try to prevent claims in the first place by performing regular maintenance and installing loss prevention devices — such as automatic leak detectors or electrical fault sensors, Ruiz suggested.

However, it's worth remembering that not submitting any claims isn't a guarantee that homeowners won't see their policy get dropped or their rates rise.

In terms of lowering costs more generally, Ruiz also encouraged homeowners to ask their insurance agents about what discounts they could be eligible for and what they may be able to do to lower their costs. Many companies, including Nationwide, Allstate and Farmers, offer annual discounts for homeowners who haven't suffered any losses over a time period of a year or more. Others, like State Farm, Farmers and Nationwide, either give discounts to homeowners who use loss prevention devices or provide such devices for free.

When homeowners perform maintenance or upgrades — whether it's updating wiring or installing a new

roof — they should keep their insurance company informed so their agent has the most updated information about the home, according to Ruiz.

“That’s really what insurance companies are looking for. Well-maintained homes have less losses, and then it’s really only the catastrophes that will cause losses and claims,” she said. “If we work on our own behalf, it lowers the cost of insurance.”

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