

California stops insurance companies from dropping coverage due to wildfires — for now

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Ricardo Lara also called on companies to voluntarily stop sending non-renewal notices in other regions

With an increasing number of California homeowners complaining about insurance companies dropping their fire coverage, Insurance Commissioner Ricardo Lara on Thursday issued a moratorium on non-renewals in some areas, demanding that providers insuring homeowners adjacent to wildfire disaster areas across the state continue coverage for at least the next year.

Lara cited Senate Bill 824, a recent law he crafted as a state senator, which allows the state's insurance department to issue the temporary moratorium. The department says the move could provide relief for up to 800,000 homeowners in both northern and southern California and perhaps even more in the future as other disaster areas are declared.

In August, the state's insurance department released data suggesting non-renewals rose by more than 10 percent in seven counties across the state in direct response to the destructive wildfires that have burned large swaths of the state. As a consequence, the number of homeowners turning to the FAIR Plan — a statewide plan meant to be a last resort when no other coverage is available — has ballooned in the last few years.

"I'm hearing the same story again and again," Lara said, speaking outside the Oakland hills home of Sean Coffey, whose insurance company dropped him and forced him to turn to what's known as the FAIR Plan, a statewide program intended to be a last resort. "This needs to stop."

Coffey wouldn't be covered by the mandatory moratorium, but the insurance commissioner also urged insurance companies to voluntarily stop sending non-renewal notices to areas at risk of wildfires until

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December 2020. Lara said he wants company executives, state lawmakers and others to spend the time coming up with a better solution.

“I believe everyone in the state deserves this breathing room,” Lara said.

Coffey hopes companies will agree. When he and his family moved in, they scrambled to find fire coverage before closing on the house. Less than a year later, he got a non-renewal notice and found himself looking for quotes again. Eventually, he was forced into the FAIR Plan, with high costs and limited coverage.

“This is a big budget item for us,” the nonprofit worker said.

A few houses down the street, his neighbor Larry Cooke hasn’t faced the same challenges. Cooke moved in about 20 years ago and, he said, “we’ve been pretty lucky.”

The decisions companies make about when to issue a non-renewal can feel somewhat arbitrary, Cooke added.

James Gore, who sits on the Sonoma County board of supervisors, said the moratorium will help alleviate some of the uncertainty for his constituents who have had their lives upended by wildfires.

“We have to be united in doing what’s right by our people,” Gore said.

While his team can’t force insurance companies to comply, the commissioner said he wants lawmakers to pass legislation that would force providers to be more transparent about when and why they drop coverage and require them to continue insuring homeowners who have “hardened” their homes against fire damage by removing flammable landscaping or other means.

“There’s definitely a willingness there,” Lara said of legislators in Sacramento. “We’re seeing Republicans and Democrats come together.”

Many of the insurance companies have decided to avoid entire neighborhoods, but the insurance department and consumer advocates would like companies to continue providing at least some coverage so that they all share in the risk without forcing more people onto the FAIR Plan.

Amy Bach, executive director of the consumer advocacy group United Policyholders said her group “fully supports” Lara’s announcement, adding that the state needs to balance regulating the industry while continuing to promote competition.

“We want to see competition,” Bach said, adding that fire insurance “is not a luxury, it’s a necessity.”

The wildfire insurance crisis, Lara said, has been years in the making and requires a statewide fix to help homeowners already grappling with sky-high housing costs stay afloat. He told the story of one single mom who lost a home she was trying to buy because fire insurance proved too costly.

Ben Thomas, who moved in near Coffey a year ago, also found himself thrust into a scramble for insurance. His realtor had recommended the area because it was safe, the homes were nice and it was close to his job. But fire insurance was “not something you learn about until you get a home,” said Thomas, who had only had to deal with renters insurance in the past.

“None of them would insure us,” Thomas said, noting that he initially got coverage from a company not admitted by the state before eventually finding a traditional insurer that would issue a policy.

In the past, insurance companies have made good money in California, Lara said. And while they may have been hit hard by the fires, he said, so have residents across the state who have loyally paid insurance premiums only to find non-renewal notices in their mailboxes.

“We want them to modernize,” Lara said of the companies. “This year is going to be critical.”

To see a list of zip codes covered by the mandatory moratorium on non-renewal notices, visit the insurance department’s website at insurance.ca.gov.