

City Wildfire and Disaster Insurance Online Town Hall

The Malibu Times

California's insurance commissioner, local elected leaders provide information on property insurance

State and local public agency representatives held an online Wildfire and Disaster Insurance town hall workshop for residents on April 4 to address homeowners insurance and how they can navigate resources to get coverage for fires, floods, and earthquakes.

The event was co-hosted by California Insurance Commissioner Ricardo Lara, Assemblywoman Jacqui Irwin, who represents California's 42nd District, and the Las Virgenes-Malibu Council of Governments.

Introducing Lara, Irwin noted, "As a leader of the nation's largest state consumer protection agency that aims to protect Californians from the impacts of climate change, including wildfires, floods, and heat waves, Commissioner Lara seeks to push the insurance industry to be part of the solution."

Attendees' greatest concerns centered on the fact that in many zip codes across California, name brand insurers have either stopped selling new policies or imposed strict limits on agents, such as only allowing them to coordinate writing five or less policies a month.

"When you look at California's market, the top 12 insurance companies cover 85 percent of the state's homeowners market, and since 2022, seven of the 12 insurance groups have paused or restricted new business," Lara said.

In 2017 and 2018, California experienced nine of the ten largest wildfires in the state's history and seven of the ten most destructive fires statewide, including the Woolsey Fire, Lara noted.

"As a result, we face a really tough question: Can consumers actually get the home or renters insurance

that they need?” Lara said.

“Non-renewals are a plague and premiums for those companies that are writing policies have doubled and sometimes tripled, leaving consumers with only an option to obtain a policy with the California Fair Plan or from a ‘surplus lines’ company, which is very lightly regulated,” Amy Bach, United Policyholders executive director said, noting that her organization is a nonprofit whose mission is to be a trustworthy and useful information resource and a respected voice for consumers of all types of insurance in all 50 states.

“California’s Fair Plan is overwhelmed and experiences long delays in processing applications.”

Panelists noted that the California Fair Plan was established so that all California property owners have access to basic fire insurance for high-risk properties when access to coverage in traditional markets is not available. For more information, go to <https://www.cfpnet.com>.

Lara explained that insurers writing policies in California contribute to funding the Fair Plan, and their contribution is determined based on the percentage of policies they write in the state.

“The Commission’s California sustainable insurance strategy is really an effort to determine what is happening throughout the state and is a result of meeting with California homeowners, business owners, fire chiefs, insurance company agents, realtors, our farmers and other stakeholders in the agricultural community, ranchers, homeowners associations and even summer camps that are having trouble getting insurance,” he said. “We’ve held meetings in all 58 counties, either in person or virtually like this meeting. The takeaway is that this insurance crisis is unprecedented in the history of our state.”

Lara also noted that, “When it comes to the affordability and availability of insurance, our goal is really to create a modern sustainable insurance market that incentivizes safety and reduces risks, but that doesn’t retreat from high-risk areas and instead utilizes long-term strategies to continue to provide coverage to consumers.”

He explained that his agency “plans to make massive improvements while focusing on shrinking the Fair Plan, which will still provide a temporary option in the short term for many Californians.”

Lara’s Sustainable Insurance Strategy strives to protect California consumers and address the pressing

challenges posed by climate change. He explained that the strategy focuses on streamlining insurers' rate applications, introducing risk management tools such as catastrophe modeling, strengthening the Fair Plan, and depopulating that plan as quickly as possible.

"This ambitious strategy is aimed at safeguarding the overall health of the insurance market, which is comprised of consumers, homeowners and business owners, while ensuring the long-term sustainability of the insurance industry," Lara stated, noting that the strategy "aims to increase options for consumers," and that he "is pressing insurance companies to offer discounts for fire-hardened homes whose owners have taken security measures to deter wind-driven embers and also for those who maintain defensible spaces as well as for being in firewise communities."

The Firewise USA program is led by the National Fire Protection Association and offers a structured approach for communities to enhance their wildfire resilience in California, several speakers noted. For more information, readers can consult readyforwildfire.org, which is coordinated by Cal Fire.

Overall, Lara emphasized that consumers should find a good insurance agent or broker and importantly, should avoid underinsuring their home.

Guests who also contributed to the conversation included Agoura Hills Mayor Pro Tem Penny Sylvester, Calabasas Mayor Alicia Weintraub, Chief Daniel Berlant of Cal Fire, and Bach. Sylvester and Weintraub both shared that they are receiving many complaints from constituents. Irwin noted that although regulators have waited for entrepreneurs to offer innovative insurance solutions in a competitive marketplace, none have done so and both insurance companies and insureds are waiting for the commission to take action.

The road ahead

The discussion turned to the fact that some homeowners and renters are receiving notices of non-renewal and are finding it extremely challenging to find insurers that are willing to write new policies or to renew existing policies.

"As an example, State Farm has announced that for now, it will not be renewing policies in some fire-prone areas," Lara said. "That affects approximately 30,000 homeowners' policies and the rest are a combination of businesses and those seeking rental insurance."

Addressing such actions by insurers, Lara said, “There’s a misconception that when insurance companies pause or restrict new business, consumers will be dropped immediately and left without coverage. But that is not true because, under California’s consumer protection laws, insureds have time to explore their options to find coverage before they are non-renewed.”

“The Department of Insurance has experts ready to assist effective consumers in finding alternative coverage either in the competitive market or with the Fair Plan,” Lara said. “As insurance commissioner, I hold insurance companies accountable, and the commission is making sure that insurers are financially solvent and that they meet the needs of the consumers.”

Noting that California is not alone in experiencing significant premium increases, Lara said, “California’s rates are still way lower than those in Texas and Florida where they’re unfortunately also going through an insurance crisis. We in California are right in the middle nationally but the risk continues to increase.

“Prices have increased nationally. We need to get back to a point where insurance companies are competing for your business to drive down the cost.”

Sharing important resources for homeowners facing a notice that their insurer will not renew coverage, Bach advised that readers consult

uphelp.org/dropped-by-your-home-insurer-don't-panic-try-our-tips.

The California Insurance Commission oversees insurers’ policy rates, Lara noted, adding that Gov. Gavin Newsom issued an executive order on Sept. 21, 2023, urging the Commission to take swift action to address issues with the insurance market and expand coverage options for consumers, while maintaining strong consumer protections and keeping plans affordable. Lara stated that his office hopes to have new insurance regulations in place by the end of the year.

The executive order was issued in response to the insurance industry pressing for the department to factor in their cost of reinsurance as well as predictive, as opposed to historical, modeling in rate setting. Predictive modeling factors in the future risk of disasters such as wildfires. Unlike the rest of the nation, California has not considered predictive modeling when setting rates.

“The current insurance mess is rampant and the actions by insurers who choose not to write new policies

or renew policies is occurring statewide despite the fact that the commission has approved justified rate increases and currently some rate increase requests are pending,” Lara said, noting that over the past decade insurance companies have fared far worse in California than nationally.

In the absence of cost-effective available policies, Bach noted that insureds are becoming innovative regarding how to obtain affordable insurance. For instance, some HOA’s have formed their own captive insurance companies.

“There are also some risk-pooling efforts,” She said. “My organization is looking into all kinds of innovative ideas because obviously, we now see from how much power a private industry has over our economic health and it’s not healthy.”

Addressing the bottom line, Bach noted, “There is no question that we are going to be paying more for home insurance going forward, but we need to keep it fair and reasonable and rate oversight will help accomplish that — the key is to ensure that insurance companies are not over-exaggerating the risk that they are undertaking.”

“We are pushing hard to convince insurers to offer discounts for home hardening.” Bach stated. “Insurance is the No. 1 source of money that helps people rebuild and recover after a disaster and therefore, having insurance is prudent even if it is not required by a mortgage lender.”

Bach continued, saying, “FEMA money is needs-based and the maximum FEMA grant is \$42,000 and the average grant is only \$5,000. SBA loans are low-interest, but must be repaid. Charitable monies only cover very basic needs — not the cost of rebuilding a home.”

Overall, the complicated subject regarding insurance rates often engenders more questions than answers and The Malibu Times will closely follow developments with regard to homeowners insurance availability and costs in fire-prone areas.