# [Close to Home: Insurance crisis rooted in climate change, big profits](https://uphelp.org/close-to-home-insurance-crisis-rooted-in-climate-change-big-profits/)

Press Democrat

***Press Democrat Op Ed,***
***by: Amy Bach***

In the North Bay today, and many other areas considered to be at risk for wildfires, we are in the grip of a serious property insurance availability and affordability crisis.

Until fairly recently, most North Bay residents didn't give home insurance much thought other than grudgingly paying their premium when it came due. Unless you lost a home to a wildfire or knew people who did, chances are you spent virtually no time on home insurance aside from watching TV ads featuring a talking gecko, Jake, Flo or the accident-prone guy. But that has changed in a big, expensive, painful way.

In the North Bay today, and many other areas considered to be at risk for wildfires, we are in the grip of a serious property insurance availability and affordability crisis. When the dreaded nonrenewal notice comes, many households are finding no options other than a brand they've never heard of or a last resort policy through the California Fair Plan costing two or even four times what they'd been paying. Homeowners are reporting annual premiums of $4,000-$12,000.

Homeowners are struggling. Some are opting to "go bare" or let their lender tack a "force-placed" expensive bare-bones policy on to their mortgage debt. Real estate transactions and property values are being negatively impacted. Competition between property insurance companies is at a virtual standstill, and consumer options have disappeared.

Insult to injury? A basic Fair Plan policy doesn't cover water, wind or hail damage or liability/lawsuits, and many of the off-brand insurers don't participate in the state's insolvency guarantee fund.

And condominium complexes? As we say in my hometown of Brooklyn — f*ughedaboutit.* Homeowners association premiums jumping from $50,000 to $500,000 is a common tale of woe these days.

Why is this happening?

When asked why they've hit pause on new policy sales and are dropping existing customers in California, insurance companies blame rate regulation, climate change and inflation. They say they're hindered by not being able to pass along reinsurance costs or base their pricing on future-predicting catastrophe models, and it takes too long to get their rate increases approved. They say they've "lost hope" of being able to charge the full rates they need.

Their complaints are a little hard to swallow when you look at the rate increases they've been getting, the coverage reductions they've made and all the years they collected premiums without paying out on large catastrophes.

United Policyholders, a nonprofit consumer organization helps households recover and rebuild after disasters, is offering free guidance on navigating the crisis and keeping your assets protected at uphelp.org and working toward state and national solutions. In the short term, we recommend shopping patiently with help from an experienced agent, bundling your home and auto, raising your deductible and dropping nonessential coverages. A long-term solution requires innovation.

Will we ever return to the good old days when insurers competed for our business? Possibly. Will annual home insurance premiums come back down to the $1,000 range? Highly unlikely. Are for-profit insurers overreacting to the Tubbs, Atlas, Thomas, Woolsey and Camp fires and climate change generally? Probably.

What is the "right" price in today's environment? The California Department of Insurance, consumer advocates and elected officials are working hard to figure that out.

On the good news front, we're reducing wildfire risk at a rapid pace and are on track for insurers to reward those who spend time and money creating defensible space and hardening their homes and businesses.

Fair Plan policyholders can now apply for discounts of up to 15% off their annual premium.

Your state and local elected officials, United Policyholders, firefighting agencies, community organizations, the Department of Insurance and mitigation professionals are coordinating in unprecedented ways on shaded fuel breaks, controlled burns and programs that help and incentivize property owners reduce risk.

Thanks to commitments by Gov. Gavin Newsom and President Joe Biden, there's more money going toward fire prevention and risk reduction than ever before.

If we stay focused on increasing the number of wildfire risk-reduced properties and communities, and get through this season without another big one, and if California Insurance Commissioner Ricardo Lara's recently announced Sustainable Insurance Strategy restores insurers' confidence, crisis conditions should somewhat resolve. In theory, insurers will get back in the game and premiums should come back down to earth.

But the genie will not be going back into the bottle: Insurers are now using risk scoring systems, drone imagery, artificial intelligence and predictive analytics to decide who and what they'll insure and at what price. Now that these tools have made risks so much more vivid, and with climate change manifesting, property owners should expect fewer options and higher premiums as the new normal.

Despite assurances from Lara that his agency is approving adequate rates, insurers here and across the country are signaling that they're no longer willing to assume risk to the extent they did in the past.

While the crisis is particularly acute in California, Florida and Louisiana, it's impacting people in a growing number of other states. The situation is front page news in many regions, insurance and banking regulators and lawmakers are on high alert, and the search is on for solutions.

It is clear that we cannot continue to allow private, for-profit insurance and reinsurance entities to have this much power over the economic health of home and business owners and the commercial sectors attached to them. We must innovate to craft alternative sources of publicly and privately backed financial security for homes and businesses beyond the federal and state insurance programs we've already got in place.

Potential short and long term fixes include:

— A new national all-risks disaster insurance program offering limited essential benefits that would pair with existing Small Business Administration low-interest loans (already available up to $500,000) and parametric products.

— Community risk pools.

— Federal and state loan guarantees for government sponsored insurers of last resort that would supplant a portion of the reinsurance required for catastrophic claim paying capacity.

— Boost the state Insurance Department’s ability to promptly review new rate filings, prevent excessive executive compensation and profits but allow pricing that’s adequate to the risk to be assumed.

— An independently created public catastrophe model as a yardstick for commercially derived models.

Insurers were one of the first economic power players to recognize climate change as real. For decades they’ve been adapting their operations in anticipation of more frequent claims and costly losses due to severe weather events, drought and rising sea levels associated with climate change, steadily shifting risk back onto people and government. Technology and current economic conditions sped up the pace of the shift. This is our new normal and we must adapt boldly.

*Amy Bach is executive director of United Policyholders, a nonprofit consumer organization helps households recover and rebuild after disasters.*