

Complaints dominate insurance forum

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Legislative remedy seems unlikely

A forum organized by San Mateo County Supervisor Ray Mueller last week to address California's insurance crisis provided a lot of information about increasing costs and decreasing availability of home insurance, as well as an outlet for mounting consumer frustration.

The session at Mueller's Coastside office in Pillar Point Harbor began with presentations by Mary Beth Bykowsky, an outreach analyst for the California Department of Insurance, and Joel Laucher, a program specialist at United Policyholders, a nonprofit group dedicated to providing information and a voice for consumers. Laucher also spent more than three decades at the Department of Insurance before joining the nonprofit.

The speakers made it clear that the state can do little to prevent insurance companies from exiting the California home insurance market or increasing premiums. This comes after State Farm announced last year that it would not issue new home insurance policies in the state, and then in March said it won't renew 72,000 existing policies.

State Farm has held one fifth of the home insurance market in California. Other companies with smaller market shares, such as Chubb and American International Group, have also said they will not renew policies in the state.

Companies that continue to issue policies have raised rates at levels far outpacing inflation. Earlier this week, Travelers, the sixth largest insurer in the state, announced average rate increases of 15%.

The cost of policies under the California FAIR Plan, which now insures more than 350,000 homes, has also risen dramatically. The plan, which state law requires a consortium of insurers to maintain, provides fire-only policies for property owners unable to get coverage through other companies.

Bykowsky and Laucher explained that when the insurance commissioner approves a rate hike it is a statewide average, meaning some policyholders can see increases of up to 50% even if the average increase is much lower.

Laucher told the audience that the new normal for consumers means having to spend more time finding coverage and more money to get it. He encouraged residents to consider policies from lesser-known companies, make sure their coverage accurately reflects current replacement costs and to maintain an inventory of personal property in their homes.

The presenters also advised consumers to put higher deductibles on their coverage to save on premiums. They acknowledged that making small claims on a policy could lead to non-renewal, so low deductibles not only increase premiums but could also lead to difficulty finding coverage in the future.

The informational presentation did not satisfy many of the people in attendance who said that insurance companies have not given consumers any breaks for brush clearance around individual homes and in neighborhoods. A series of irate speakers in the audience described efforts they have made to protect their homes that did not result in reduced premiums.

Meanwhile, state Sen. Josh Becker has introduced legislation that he says will address this issue. The proposed law would require insurers to consider wildfire risk reductions in their underwriting models.

In a press release, Becker said his bill “has a simple and fair premise: If you do the work and invest in home hardening, defensible spaces, and forest treatment, you should get credit for that.”

Based on information presented at the forum about the ability of insurers to manipulate coverage, it seems unlikely that insurance companies would not find ways to offset any credits for wildfire prevention efforts homeowners make

Becker’s office did not respond when asked how the law’s mandate that insurers take fire protection efforts into consideration would truly lead to any savings for consumers.