

Cost of homeowner's insurance going way up for some in California

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Owning a home in San Diego County can be a dream come true for those who can afford it. But the dream is becoming increasingly more expensive, and that's if you can even get insurance.

The California Department of Insurance said 7 out of the 12 largest insurance companies have either paused or restricted new policies. Some companies have stopped doing business in the state altogether.

"What is happening is that we have a very unfortunate kind of toxic stew of things that happened at the same time," said Amy Bach, the co-founder and executive director of United Policyholders.

The nonprofit was formed in the early 90s to level the playing field between insurers and the insured. Bach said that job is harder than ever due to a number of factors. One is the technology that insurers are now using, like drones and satellite images, to slap a risk score on people instead of looking at their situation holistically. That's part of what she called TMI — too much information.

"Now they see all the trees around your house and they see your wood pile and they see things that scare them out of wanting to insure you," Bach said.

And COVID-19, with its effect on supply chains, made everything — material and the price of labor — skyrocket.

"We're kind of in the middle of the regulatory environment," said Jill Epstein, the CEO of the Independent Insurance Agents and Brokers of California.

The people her organization represents don't set rates, they sell policies. However, she said she understands where insurance companies are coming from that do business in California.

“We have a regulatory environment that has not modernized with time ... it’s going to take some time to undo the situation we’re in right now.”

It may be hard to believe, but California actually has some of the lowest insurance rates in the country, and that bit of news comes not from an insurance company, but from the California Department of Insurance.

Insurance Commissioner Ricardo Lara just approved a 20% increase in rates for State Farm, the biggest insurer in California can charge. That takes effect on March 15.

Michael Soller from the California Department of Insurance said the problem is national, “but we’re taking action in California.”

Soller said the Department is working on a new regulatory structure.

“So, Insurance Commissioner Ricardo Lara has introduced a comprehensive strategy, the sustainable insurance strategy, to restore options for people to improve availability of insurance,” Sollar said, “and that’s really gonna help to drive down the cost of insurance because right now we have areas where people cannot even get an insurance company to call them back.”

Lara will soon introduce a new catastrophe modeling regulation that’s designed to address things like the increasing risk of wildfires in the state, the idea being to make the business environment better for insurance companies, so more of them either come back to the state, or resume writing policies.

The end goal is more competition which, theoretically, should lead to lower prices. But everyone involved in the process agrees it will take time. In the meantime, homeowners here and across the state need to buckle up for more expensive rates to come — if they can get a policy at all.