

Coverage shrinks, premiums skyrocket as wildfire risk hits OC multifamily complex

TheRealDeal

At Laguna Village, insurance costs double while damage benefits drop 98%

Laguna Village, a townhome community in Laguna Hills, is facing a severe insurance crisis as rising wildfire risks have drastically reduced its coverage while premiums skyrocket.

Two years ago, the insurance coverage for the South Orange County complex was slashed to \$5 million, from \$251 million — a drop of 98 percent, despite its annual premium more than doubling to \$883,000, the Orange County Register reported.

Even after efforts to increase coverage, the total only reached \$35 million — about a tenth of the community's total value.

George Ross, general manager of the 914-unit complex, described the situation as dire, with no insurance company or group willing to provide adequate coverage — even if the community could afford it.

The underinsurance has led to two special assessments on residents to cover maintenance costs, which have been heavily diverted toward insurance expenses.

Without adequate coverage, lenders won't provide loans, making it difficult to refinance mortgages or sell, according to the Register.

"I get called by every buyer, every seller, every lender, every agent because it's a common problem everyone wants to overcome," Ross told the newspaper.

Residents like 66-year-old Patti Casas, who had hoped to sell her home and move closer to family in

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Source: <https://uphelp.org/coverage-shrinks-premiums-skyrocket-as-wildfire-risk-hits-oc-multifamily-complex/> Date: November 24, 2024

Oregon, now face uncertainty. The lack of insurance has made it difficult to sell units.

“For the people who have tried to sell, it has been difficult,” Casas told the Register. “Think about it. We have practically no homeowner’s insurance.”

The predicament in Laguna Village reflects a broader insurance crisis across California, especially for multifamilies in high fire-risk areas.

Since 2022, at least seven of the state’s 12 largest insurance companies have stopped writing new home policies or left the market. A lot of homeowners have turned to the FAIR Plan, an expensive insurer of last resort created by the state, according to Amy Bach, executive director of United Policy Holders, a consumer advocacy group.

As of June, the FAIR Plan had more than 408,000 policies, an increase of 164 percent since 2019, based on state figures.

The crisis has left homeowner associations and housing complexes such as Laguna Village struggling to secure affordable coverage.

“I’ve seen properties in wildfire areas (with) ... huge increases in premiums, by a factor of five, six, seven, eight times — oftentimes (with) a reduction in coverage,” Patrick Prendiville, an HOA insurance broker in Dana Point, said.

In the south Orange County city of Laguna Beach, where Laguna Village is located, some 90 percent of the land sits in a high-fire severity zone, and rising premiums and renewal denials are commonplace, according to Mayor Sue Kempf.

“Everybody’s in the same boat. You can’t get insurance, or you’re paying through the nose for it,” said Kempf, who had to scramble for a new carrier herself in 2020, when her insurer stopped writing policies in California.

— *Dana Bartholomew*

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