

Finding (and keeping) fire insurance is headache for homeowners in California

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NPR's Scott Simon speaks with Amy Bach, executive director of United Policyholders, about the thousands of homeowners in California at risk of losing insurance as the risk of wildfires grow.

SCOTT SIMON, HOST:

It's said there's no such thing as fire season in the West anymore. It's fire season all year. Two-point-five million acres of California have burned. And there is a growing problem for those who live in areas where the risk of fires grows worse every year. How do you insure your home as insurance companies pull out of the market and temporary moratoriums expire? - all this as the state faces an affordable housing crisis that pushes people farther out of cities and deeper into remote areas, where the risk of fire can be greater.

Amy Bach is executive director and co-founder of United Policyholders - nonprofit that advocates for consumers in the insurance industry. Thanks so much for being with us.

AMY BACH: Thanks for having me.

SIMON: So on top of everything else, how bad is the California insurance situation?

BACH: Well, it depends where you live and who you talk to. But for those who are in rural areas and areas that are known as WUI - wildland-urban interface - it's worse than it's ever been. People have been dropped by the insurers that they have been with for, in many cases, decades. The legislature had to step in. The Department of Insurance has had to step in.

SIMON: Let me ask a question that I hope will not sound insensitive. But insurance companies don't have to do business where they don't want to, do they?

BACH: Technically, that is true. Now, in California, we have the California FAIR plan – is if they want to sell insurance at all anywhere in California, they have to participate in this insurer of last resort, and they have to take a piece of the FAIR plan's policies, like – which are – otherwise would be risks they wouldn't want. So that's the one caveat.

SIMON: Let me ask you about the moratoriums, which prevents companies from dropping a policyholder just after a fire. I gather that covers about 400,000 policyholders in the state. And that moratorium's about to expire for a lot of people, isn't it?

BACH: Yes. In fact, it's been expiring in some of the areas that were hit by the 2017 fires in Sonoma and Napa. And, you know, the good news is it's expiring because they haven't had recent fires. The bad news is it's very hard for people to find coverage once they've been dropped.

SIMON: What are their options, or do they have options?

BACH: They do have the FAIR plan. That is sort of take all comers, last ditch, last resort. We've had a survey going where we invite people to share information with us. And I looked at all the responses that we've been getting recently, and almost every single one of them said, I was dropped and either I have no insurance now, or they said, I'm with the FAIR plan. But of all the responses I looked at, there was only one of them that said that they had gotten coverage outside the FAIR plan.

SIMON: Forgive me, but should people just move out of those areas that are prone to the risk of fire?

BACH: Easier said than done, Scott – that's the reality, you know? People, they get their roots in the ground – very hard to imagine relocating on account of the cost of your insurance.

SIMON: Well, if they don't relocate, does it, at the same time, mean communities will be reformed, consisting of citizens who are in the unusual position of being able to be indifferent to insurance costs?

BACH: There are some very challenging issues here with regard to income inequity because you've got, you know, a lot of the people that have second homes and in these rural areas. Yeah, they're getting hit

with premium increases that are three times what they had been, but they generally are figuring out how to afford that. It's the people that actually live there, many of whom got priced out of an urban area and/or are elderly and on a fixed income. And when their home insurance premium triples, usually that's a rock and a hard place.

SIMON: Does climate change threaten the entire financial premise of private insurance in a way?

BACH: Absolutely. There's inconsistency in our climate change-driven era because, obviously, insurers don't want to take bets that they think they're going to lose. That's why we're seeing a growing need for government programs to step in and pick up risks that the private sector doesn't want. But what we need to do is keep the private sector's expertise in the game along with the government engagement.

SIMON: Amy Bach of United Policyholders, speaking with us from San Francisco - thanks so much for being with us.

BACH: Thank you so much, Scott.