

Fire-ravaged LA areas faced high non-renewal rates for home, fire insurance before disaster struck

ABC 7

State Farm's request for an emergency home insurance rate hike on Tuesday was one of many troubling signs for California's home insurance market.

Now, 7 on Your Side Investigates has data showing how traditional residential and fire policies are becoming out of reach for many Californians. Experts warn that this trend is hurting homeowners and renters alike, and it's only going to get worse.

An ABC Data Team analysis shows that in 2023, the most recent year of data available, nearly 2% of California policyholders for residential or fire insurance had non-renewed policies. That could be because customers were dropped by their insurance company, or they dropped their policies themselves – an unfortunate reality for some homeowners as premiums keep rising.

Two percent may sound like a small fraction, but it translates to tens of thousands of California property owners losing home or fire insurance.

And insurance experts are concerned this rate of non-renewal will just keep ticking up.

"It is going to stay very challenging for the foreseeable future for California, not just for homeowners, but for business owners too," said Amy Bach with United Policyholders, a San Francisco based non-profit that offers consumers insurance guidance.

Will Chandler of Altadena is one of those homeowners who dropped his home insurance policy because it became too expensive for him to afford.

He told 7 On Your Side Investigates that his carrier raised his yearly premium from \$2,100 to \$2,900, leading to his decision to go without home insurance.

Then, when the deadly Eaton Fire hit Altadena on Jan. 7, as embers starting swirling around Chandler's home, he grabbed three garden hoses and tried to fight the flames himself.

"I felt like I needed to do everything in my power to protect the home," said Chandler.

"That was one of the biggest reasons why I didn't want to pack up all my stuff and just leave."

ABC's analysis of data from the California Department of Insurance shows the rate of insurance non-renewals was high in Los Angeles communities impacted by January's highly destructive Palisades and Eaton fires — before those fires sparked. In 2023, the rate of non-renewals in Altadena's 91001 zip code was 7.5%.

In the Pacific Palisades zip code of 90272, the non-renewal rate that year was 8.3%.

Nearly 12,000 homes were destroyed between the two fires. The Eaton Fire is now the second-most destructive wildfire in California history. The Palisades Fire is the third.

With thousands of homes burned to the ground and billions in claims that insurance companies will need to pay out, Bach with United Policyholders says we can expect insurance rates to rise, and there will be more obstacles facing those who still have policies.

"You can expect insurance companies to be posing more conditions," said Bach. "So telling people you have to put a new roof on, if you want to stay our customer."

The area of Southern California hit the hardest by non-renewed insurance policies in 2023 was outside of the fire zones, but not far away. That title belongs to the town of Topanga, an unincorporated section of Los Angeles County.

In Topanga's 90290 zip code, the non-renewal rate in 2023 was 20.7%.

High non-renewal rates are not only a problem for homeowners, but for renters, too.

Uve Karbenk co-owns a 33-unit apartment building in San Bernadino.

Last year, an insurance company decided to drop its coverage of the complex.

“For our insurance broker, absolutely nearly impossible to get new insurance for us,” said Karbenk.

Karbenk says he had to piecemeal insurance coverage from out-of-state companies, which raised his premium from around \$14,500 a year to nearly \$42,000.

He said he has no choice to pass on some of that huge extra cost to new renters.

“For new tenants, it definitely has to go up,” said Karbenk.