

Home insurance costs soar in North Bay

Insurance News Net

Sonoma County's median rate for home insurance premiums shot up more over the past decade than in any other part of the ninecounty Bay Area, while Lake and Mendocino counties, where wildfires have exacted a wider if not deeper toll, have seen rates climb even faster and higher.

Overall, median annual home insurance costs paid by property owners in the North Bay and the two counties to the north significantly exceeded the statewide rates and have grown at a quicker pace.

Those trends are evident in home mortgage data that underpins a new paper by researchers at the University of Pennsylvania and the University of Wisconsin that documented rising insurance premiums nationwide and the significant impacts on home values, particularly in disaster-prone areas.

In Lake County, where wildfires have scorched two-thirds of the county's land base since 2015, the median premium was near the top for the region, at \$2,559 in 2024, and grew more – 86% over the past decade when adjusted for inflation – than anywhere else in the 10-county region, according to data from the report.

In Mendocino County, the 2024 rate was \$2,342, a 60% jump since 2014.

The \$1,834 median annual cost for 2024 in Sonoma County represented a nearly 40% spike over the same figure from a decade ago.

Napa County aligned closely with Sonoma County, with a median premium in 2024 of \$1,851, a 10-year rise of about 30%.

The median cost in Marin County in 2024 was highest in the North Bay at \$2,658 but the 10-year rise was significantly less – 27%. The median home sale price in Marin County outpaces all counties to the north, but the experience with catastrophic fires has been comparatively minimal.

The median annual premium for California as a whole in 2024 was \$1,700, up 28% when adjusted for inflation over 2014.

While the figures drawn from mortgage data rely on median rates, insurance premiums for homes in higher-risk fire areas, especially, can be far higher across the region.

Homeowners on the FAIR Plan, California's insurance of last resort, in one ZIP code covering parts of Santa Rosa pay an average \$6,400 per year.

The San Francisco Chronicle first reported on the data and its upshot for California this month.

Insurance costs in California are still significantly lower than premiums in some of the highest-cost states, led by Florida. Experts attribute that gap to a long history of strong regulatory protections in the state, where voters in 1988 established the insurance commissioner's office and gave it approval power over rates charged by private insurers.

Still, after a decade dominated by catastrophic and deadly wildfires across the state exacerbated by climate change, California has been grappling with how to manage a burgeoning insurance crisis, as policy writers, citing mounting risk have pulled back, leaving homeowners, businesses and public entities to face skyrocketing rates and denial of coverage.

A bargain struck by California Insurance Commissioner Ricardo Lara was meant to stem that pullout and alleviate the burden on the state's insurer of last resort by allowing insurers to factor future risk into their rate proposals where previously they'd been limited to past experience.

A New York Times investigation last month shed doubt on the purported benefits of that deal for ratepayers.

Property owners in areas hit hard by wildfires, like the North Bay, are bearing the brunt of the now yearslong insurance crisis, with some forced to weigh once unthinkable questions of forgoing coverage or selling homes at a loss.

"Once you've been through a fire, you understand why insurance matters, and then you also are now in the bull's-eye for insurance companies," said Amy Bach, executive director of United Policyholders, an

insurance consumer advocacy group. Insurance woes have intensified with growing risk in the last decade, as development has crept into wildland areas and as climate conditions have created bigger and more frequent blazes. But, also for those who've been hit by major fires before, "you are on the radar of the C-suite executives who saw the red ink that they paid out after those losses, and they remember it. There's a stigma."

Northern California's utility-sparked wildfires in 2017 and 2018 alone wiped out more than 20 years of underwriting profits, according to the insurance industry. Insurance companies recouped \$11 billion of those losses from Pacific Gas & Electric in 2019, ahead of wildfire victims who are still being paid out for their own claims.

In the past couple of years, regulators have handed down shortterm mandates compelling insurers to stay in the market while also working with them on longer-term measures to persuade them to stay. Under one move advanced by Lara, the state now lets companies pass through to ratepayers some of the costs of reinsurance - essentially insurance for insurers. Another major change was the switch to projections based on climate modeling to propose rates, a shift away from the past framework that relied on historical claims.

In exchange, insurers were required to offer discounts to homeowners who complete certain wildfire mitigation work. Larger insurers were also mandated to offer policies to at least 85% of properties in wildfire-distressed areas that in past years they've increasingly refused to cover - although the New York Times investigation found insurers were exploiting clear loopholes that allowed them to meet that requirement by pooling their coverage in corners of those areas that are not fire prone. How the tug-of-war between regulators, insurers, ratepayers and voters plays out is still to be seen.

Farmers Insurance, the state's second-largest home insurer, recently announced it would lift the cap on the number of home insurance policies it offers in California, a move seen by some as a signal that market constraints that have punished consumers are easing. But, at the same time, the company also asked Lara's office for permission to raise rates by an average 6.99%.

Ultimately, "the strategy is aimed at restoring availability, not necessarily affordability," Bach said. "The reality is it's almost guaranteed to have prices continue to rise. I don't want to sugarcoat it for people."

Consumer advocates worry also about the added impacts from companies' use of AI and aerial

surveillance that have led to sudden policy cancellations. Another new pressure point is the rippling costs on insurers and ratepayers from the devastating wildfires in Los Angeles in January, the costliest in state history. Insurance companies have received approvals to pass on more than \$150 million in charges to policyholders to shoulder the burden.

The costs can be particularly hard to manage for lower income residents, some of whom live in rural areas that are facing the highest rates and increases, like Lake County or Mariposa County in the Sierra Nevada foothills, where 2024 median premium costs were \$3,700, a 150% climb since 2014.

A growing number of homeowners – who don't have mortgages that require insurance – are choosing to go without, more so in rural places, although less in California than in other states.

"If you have a choice between putting food on the table and paying your insurance premium, you're going to put food on the table. I don't blame people for going there," Bach said. But, it's a "scary prospect" because when disaster strikes, "insurance money is what is make or break for people to get back on their feet."

Valerie Brown's community in San Diego burned in 2007, and she was "mortified" to realize how under-insured she was. She now specializes in disaster recovery, and is currently embedded as a fellow focused on wildfire resilience in California with After the Fire USA, the Sonoma-based disaster recovery group that emerged from the historic North Bay 2017 firestorm.

"Homeowners insurance is the biggest predictor if someone is going to be able to rebuild their home," she said. "Whatever they'll let me do I've done, but that policy is expensive."

Research shows those expenses are affecting home ownership. Rising insurance costs or difficulty insuring at all is impacting home values and the ability to buy and sell. The new study found values in the top 10% of U.S. ZIP codes most vulnerable to wildfires and hurricanes saw an average \$44,000 less growth.

Contingencies that buyers are able to secure insurance and disclosures around mitigation work are increasingly part of home purchasing deals.

With so many sectors, from finance and lending to real estate to governments, affected, a "systems

approach,” beyond considering an individual homeowner’s actions, is necessary, Brown said. Even the effectiveness of steps taken to reduce risk on a property – and the benefits born out in insurance costs – depends on the efforts of neighbors and the surrounding infrastructure. “It’s a partnership, and all of the pieces have to be part of the solution.”

Beyond heightened fire risk, part of the reason low-income and rural areas may see higher insurance costs, experts say, is because other risk factors considered include the extent of firefighting capacity, emergency response resources and broadscale resilience work – all generally more available in affluent communities.

On the bright side, federal, state and local funding has poured into helping Californians better prepare and protect homes and whole communities against natural disasters, although the Trump administration has pulled back some of the money coming from Washington, D.C., for those purposes, a move panned by elected Democrats and Republicans.

Fire-scarred cities and counties like in Sonoma and Napa, as well as community-based groups, at the forefront of this work, have sought ways to continue preparedness and recovery work even amid the federal pullback.

As California tries to emerge from an insurance marketplace crisis, legislators have been hesitant to impose new mandates, waiting for results of the state’s fragile deals with insurers, Bach said.

But, “as prices continue to go up,” she added, “we’re going to have to deliver more help.”