United Policyholders
Empowering the Insured

[Home Insurance Crisis: Safeco To Drop Policies Across San Francisco, East Bay]

The San Francisco Standard

Homeowners in San Francisco and the East Bay who protect their homes with Safeco Insurance may need to brace for some bad news.

The insurance company plans to quietly drop over 950 policies in the Bay Area when they come up for renewal starting in October, it said in a recent little-noticed filing with the state regulator.

The news comes shortly after insurance heavyweights State Farm and Allstate halted new business in California and Farmers Insurance placed a limit on the number of new customers it is willing to pick up. Last week, Liberty Mutual—Safeco's parent company—also announced it would stop providing business owner coverage in California starting later this year.

All of these decisions have made it more difficult for Californians to insure their homes. But the latest policy by Safeco is slightly different: It will specifically impact the Bay Area.

Due to the Bay Area's "significant earthquake risk and the resulting home fires they cause, and our high concentration of insurance exposure, we have taken the difficult but necessary step to further reduce our overall book of business through underwriting decisions on new and renewal homeowners policies," a Liberty Mutual spokesperson said in an email to The Standard. "This decision impacts approximately 1 percent of our California homeowners business."

In an emailed statement, the California Department of Insurance said that the rule change does not require its approval.

Safeco has long had areas in San Francisco where it would not insure homes, according to Richard Reinholdt, an independent insurance agent who worked with the company until his contract was abruptly terminated last week.

“We knew half the ZIP codes were already closed,” he said. “They didn’t want to be overly concentrated.”

But the new filing expands the list of places where the company will generally not take on new business. It also identifies 30 of those ZIPs as places where Safeco will drop some of its existing policyholders.

The “non-renewals” will largely be concentrated in San Francisco’s residential west and south, the city of Alameda and large parts of Oakland and Berkeley. They also will not apply to policyholders who have been continuously insured with Safeco since Jan. 1, 2000.

The customers who lose their coverage as a result of Safeco’s decision won’t be the first Bay Area residents to face insurance challenges. As major insurers have backed off from California, more and more homeowners and homebuyers have found themselves struggling to find insurance.

Some have been forced to resort to the Fair Access to Insurance Requirements (FAIR) Plan, a private “insurer of last resort” for properties located in high-risk areas that can’t otherwise get fire insurance. The plan can be a lifesaver for many but comes with distinct disadvantages: It covers less and charges higher premiums.

Despite the statewide chaos, Liberty Mutual denies that its decision to drop some policyholders was driven by conditions on the California insurance market.

In its statement to The Standard, the company stressed that it continues to sell homeowners insurance across California and that it is only trying to avoid overexposure to risk, a standard practice in the industry.

But it’s difficult not to view the Safeco move as part of California’s broader insurance woes, said Amy Bach, who leads United Policyholders, a San Francisco-based nonprofit that advocates for insurance consumers.

“There’s no question that we’re in a crisis in regions of the state,” she told The Standard. “What’s disturbing is that this is the Bay Area.”

In recent years, United Policyholders has been working to help homeowners in rural areas who were dropped by their insurers and had to scramble to find new coverage.

“One of the consolations has been: ‘At least we don’t have to worry about people who live in the cities. There’s plenty of competition there!’” Bach said. “So this [filing] isn’t good news.”