

Inside the rising costs of homeowners insurance policies in California

ABC10

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The rise in home insurance costs, especially in high fire risk areas, have left many frustrated and confused.

Those feelings come as some big insurance companies have decided not to issue new policies in California. While it might seem like options are running low, experts say there are solutions.

“This problem is a big problem. It’s affecting a lot of people,” said Amy Bach, executive director of United Policy Holders.

Home insurance availability, affordability and quality are shrinking. AIG, Allstate and State Farm have recently pulled out of the new homeowners insurance market in California.

“People really feel like they’ve been kicked to the curb by these insurance companies that have always been happy to take their money,” said Doug Heller, director of insurance for Consumer Federation of America.

An ABC10 viewer in Auburn said her insurance premium costs have gone up from just under \$2,500 to more than \$10,000. She said she reached out directly to insurance companies and brokers for quotes, but said she can only afford the state’s fire-only insurance called the “FAIR Plan,” which is just under \$7,000.

Additional insurance, called difference in conditions insurance, helps fill the gaps of the FAIR Plan. It

would cost her another \$1,800 dollars for a total of \$8,737, not far off from her initial renewal offer of more than \$10,000.

“We have seen quite a few large wildfires in the last six years, and a lot of money has gone out to pay for those repairs, losses,” said Janet Ruiz, director strategic communications with the Insurance Information Institute.

Inflation, the increased cost to rebuild and contractor shortages are to blame for higher insurance costs too. Experts said it has spooked insurance companies.

“I think the thing that’s driving this crazy market that we have is a lot of, it is just insurers getting TMI – too much information – from these prediction companies, and it’s just scaring them out of wanting to take risk, which is what we rely on them to do,” said Bach.

But not having coverage isn’t worth the risk. Nonprofit consumer advocacy group United Policy Holders just updated its tips list to reflect the increasing challenges homeowners are facing.

Those include:

- Carry the highest deductible
- Bundle home and car insurance
- Get rid of non-essential coverages
- Shop around
- Find a good agent

“It’s important to try to find savings, but understand the old Pennywise Pound Foolish rule, which is you may put yourself in a position where you can’t afford to rebuild, because the coverage you have isn’t good enough,” said Heller.

Even if you are being renewed for your current policy, its worth researching your options. Make sure you document any steps you take to make your home safer, like installing metal fencing, creating a defensible space or installing security cameras. These additions could bring your rates down. Be sure your agent knows about your efforts because they may not be capturing all of the information in their algorithm.

The state's online insurance finder tool can help you find an agent in your area

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