

Insurance commissioner, Irwin address coverage issues

Thousand Oaks Acorn

Homeowners are ‘worried and upset’

Area residents concerned about the declining availability of home insurance coverage got an update this month from the regulator tasked with salvaging California’s foundering market. Ricardo Lara, insurance commissioner since 2019, appeared with Assemblymember Jacqui Irwin for an April 4 webinar to address the skyrocketing cost of coverage— for those who can find policies in the first place—and to outline his plan to fix the crisis.

The virtual event—billed as a Wildfire and Disaster Insurance Online Town Hall—also featured tips from Amy Bach, executive director of the consumer advocacy nonprofit United Policyholders.

Irwin, who represents the 42nd district including Agoura Hills, Calabasas, Westlake Village, Thousand Oaks, Simi Valley, Moorpark and parts of Camarillo, said her office has heard from many “worried and upset” constituents as companies started dropping homeowners in very high fire hazard severity zones, then began a wave of non-renewals throughout the state. Several major insurers are now refusing to write new homeowner policies in California.

Among these is State Farm, which made the announcement last year. One week after the town hall, the company released a breakdown by zip code of 72,000 property insurance policies in California that it will not renew, around 30,000 of which cover homeowners. Irwin’s district was predictably hard hit.

Lara said State Farm’s retrenchment “raises serious concerns about that company’s financial situation.” His office is working with the insurance commissioner of Illinois, where State Farm is domiciled, to determine what internal issues the insurer might have, he said, and to come up with a financial recovery plan for the company.

How bad is it?

“There’s a misconception that when insurance companies pause or restrict new business, that consumers will be dropped immediately and left without coverage,” Lara said. “But that is absolutely not true, and against our consumer protection laws.” There is time to explore options and find alternative coverage before non-renewal hits, he said, and Department of Insurance experts are available to help.

But minutes later, describing the trend of companies pulling back from areas where natural disasters have wreaked increasing destruction, Lara said, “We face a really tough question, which is, ‘Can consumers actually get insurance that they need?’ ” And for the majority of those in Irwin’s district, “the answer is going to be no,” he acknowledged.

The top 12 insurers cover 85% of California’s homeowners market, according to Lara, and since 2022 seven of those companies have paused or restricted new business. This comes after several of the worst wildfires in state history, including the Woolsey fire of 2018.

To turn this situation around within the next 10 years, Lara’s department and the governor’s office met with stakeholders throughout the state and put together a “Sustainable Insurance Strategy,” consisting of three main components.

First is streamlining the rate application process. Proposition 103, passed in 1988, set up a regulatory system in which insurance rates must be approved by the commissioner. This has been taking so long—up to a year and a half—that rates no longer reflect risk profiles by the time they get approval.

“So we are focused on strengthening our rate regulation branch so that we can meet the current demands of rate applications,” while still ensuring fairness and prudence, Lara said.

Second is introducing risk management tools such as “catastrophe modeling,” which considers future conditions rather than just historical data. In a time of climate change, “just looking to the past does not give the whole picture,” Lara said. This would also take into account communities’ wildfire safety efforts, such as home hardening and prescribed burns, so residents with defensible space and metal roofs could see lower rates.

Third is preventing out-of-state disasters from driving up premiums. Lara wants rates to reflect California-

only net reinsurance costs, so that Midwest tornadoes or East Coast hurricanes don't cause policyholders here to pay more.

Lara told Irwin that if these proposed regulations become law, insurance companies have committed to writing at least 85% of their statewide market share in wildfire-prone communities like those in her district. This would help to move residents off of the FAIR Plan, California's "insurer of last resort." Irwin noted that many homeowners have turned to this bare-bones option, which "provides less coverage for more money" and "was never intended to provide coverage for so many Californians."

Amy Bach of United Policyholders said the FAIR Plan "is overwhelmed," having switched to a new tech platform in the fall. But it's still better in some ways than the high-risk offerings in other states.

It's also funded by insurance companies, not taxpayers, "so the bigger concern is just keeping things stable so that we don't lose more insurers," Bach said, "and then we would lose the FAIR Plan. We're not there, so a lot of my goal here is to try to help stave off panic."

Her advice for homeowners is to find a good agent or broker.

"The market has little pockets here and there of availability, it's just a matter of figuring out what's a match for you," Bach said. She also warned against underinsuring one's home: "If you have to sacrifice, try to keep your dwelling covered. Just the home is the most important thing."

Calabasas Mayor Alicia Weintraub and Agoura Hills Mayor Pro Tem Penny Sylvester participated in the town hall, which was co-hosted by the Las Virgenes Malibu Council of Governments. Sylvester asked why the state isn't enforcing defensible space requirements to help bring insurers back. State Fire Marshal Daniel Berlant replied that the details of regulations are still being worked out.

In her letter to the community the following week, Weintraub gave her takeaway from Lara's remarks: "Things are going to get worse for homeowners before they get better."

The webinar can be viewed on Irwin's website: <https://a42.asmdc.org/>.