

Insurance firms drop Berkeley Hills homeowners, citing wildfire risk

Berkeleyside

Marina Sadler thinks about fire safety “like every day, 12 times a day.”

It’s not unfounded paranoia.

Sadler lives in what’s called the “wildland-urban interface,” where the narrow residential roads of the Berkeley Hills wind through fire-prone brush and practically spill into Tilden Park. The 1991 Oakland-Berkeley firestorm decimated houses in these areas, and recent smaller fires have gotten dangerously close to the coveted properties.

So when Sadler got a letter from Allstate this year saying her homeowners insurance policy would not be renewed, the psychoanalyst felt “utter panic.” Sadler’s name has been changed because of privacy concerns related to her job.)

The letter, sent after 17 years of coverage of the Park Hills Road home, said, “Unfortunately, the recent catastrophic wildfire seasons have forced us to make difficult decisions about managing our exposure to wildfire risk, and as a result, Allstate Insurance Company will not be renewing your property insurance policy.”

Sadler is just one of several known people in the Berkeley Hills whose homeowners policies have not been renewed this year, or who’ve been denied new coverage, because of fire risk. Their experiences reflect a statewide phenomenon, with insurance companies reeling from billions of dollars in claims resulting from massive climate-change-fueled wildfires that show no sign of stopping.

Last month, the California Department of Insurance released new data showing a 6% increase from 2017 to 2018 in insurer-initiated non-renewals of homeowners policies in areas where Cal Fire is the primary agency. During the same period, there was a 10% increase in those non-renewals in the zip codes affected by the major wildfires from 2015 to 2017 — and that data does not yet include any effects of the catastrophic blazes at the end of 2018.

Between 2015 and 2018, there was also a 177% increase in FAIR Plan policies — the pricy, state-created last-resort insurance — in the 10 counties with the most fire-vulnerable homes.

“I have heard from many local communities about how not being able to obtain insurance can create a domino effect for the local economy, affecting home sales and property taxes,” said Insurance Commissioner Ricardo Lara in a statement. “This data should be a wake-up call for state and local policymakers that without action to reduce the risk from extreme wildfires and preserve the insurance market we could see communities unraveling.”

Multiple hills dwellers told Berkeleyside that they’d stuck with the same insurance company for years or even decades, only to receive an unceremonious non-renewal this year.

“It felt like there was no sense of loyalty,” said Steve Randall, another former longtime Allstate customer on Park Hills Road. “We paid a lot of premium with them and had no claims, and just to be dropped — it’s not a good feeling.” After hearing rumors that Allstate had a list of Berkeley properties it would no longer insure, Randall called up the company ahead of his October renewal date, and found out his house was, in fact, on the chopping block, he said. He was able to switch to State Farm.

One resident another street over was able to keep her Allstate policy — but was denied coverage by Travelers when she tried to switch. The company’s explanation: “Your home is located in an area with an increased exposure to brushfire.”

Berkeleyside reached out to Allstate, State Farm and Travelers with detailed questions about their approaches to coverage in Berkeley and non-renewal decisions. Allstate and State Farm spokespersons each responded with referrals to the same insurance trade association spokeswoman. Both companies ignored continued requests for answers to Berkeleyside’s questions. Travelers did not respond to the original request.

In its non-renewal letter, Allstate offered to help Sadler find replacement coverage. When that didn’t pan out, Sadler, who lives alone, “got proactive.” She said she was offered coverage by State Farm, only to get a call from an agent revoking the offer while Sadler was literally driving down to the office with a check in hand. She eventually ended up with a policy from Farmers Insurance in Orinda, which includes some coverage from the FAIR Plan, which is often more expensive and less thorough.

“I’m spending about \$2,000 more a year,” Sadler said. “I am insured, but I’m living in terror that they’re going to cancel it.”

“I think I should ask Allstate to refund me all the money I paid them when nothing happened,” she quipped.

Janet Ruiz, a spokeswoman for the Insurance Information Institute trade association, said that’s the wrong way to think about insurers’ responsibilities.

“The companies aren’t being disloyal to their customers — they’re spreading the risk so they can serve the customers they do have, and that’s really important,” she said. “We want insurance companies to be

able to pay our claims.”

The Sacramento Bee has reported that insurance providers paid \$1.70 in claims for every \$1 policyholders paid in premiums last year.

Ruiz said each insurer assesses the fire risk at a given property differently, but most look at a combination of factors including topography, availability of fire services, and even wind, which carries deadly embers that can get into houses and make them burn from the inside out. Fire risk assessment is becoming more automated, Ruiz said, not just because of new technology but also because of new data. While companies have long done risk modeling for common disasters like hurricanes, modeling for wildfires is a newer practice, she said. Ruiz said that system works in the policyholder’s favor, alleviating the high cost and bureaucracy of in-person assessments.

But some consumer advocates see that technology as part of the problem.

Whereas an individual might have traditionally come out to personally assess a particular property, taking into account things like debris removal, software programs are now writing off entire neighborhoods without that sort of granular appraisal, according to Emily Rogan, chief operating officer of United Policyholders.

That nonprofit was created in the wake of the 1991 East Bay firestorm when victims encountered unexpected insurance issues.

During the recent spate of wildfires, United Policyholders has been trying to collect data on insurance availability and non-renewals, through an online survey. So far, AAA, Travelers and Nationwide top the list of companies non-renewing customers in California, Rogan said.

“As for solutions, that’s the tough part,” she said.

United Policyholders is advocating for an across-the-board reward — like a rate discount, or promised continued coverage — for residents who do the work to protect their properties from fire damage.

“That’s a tough piece because you’d need buy-in from all the insurance companies,” she said. Some companies do already consider mitigation work in their risk assessments, Ruiz said.

Berkeley City Councilwoman Susan Wengraf, who represents the hills, has long encouraged her constituents to do that sort of preventative work on their houses. The council also recently invested hundreds of thousands of dollars in vegetation clearing and other disaster safety measures. Wengraf said she’s thought a lot about how Berkeley can incentivize residents to clear their properties, so she’d like to see the insurance industry become a partner in that project, guaranteeing coverage for participating households.

“But they don’t seem willing to do that,” Wengraf said. “It’s a crisis.”

Sadler is one of many residents who have already “spent a young fortune” clearing out brush from their

yards. But she is well aware that if her neighbors fail to take the same steps, flames could easily swallow up her bare yard in seconds.

The other day, a large tree fell on the Tilden side of Sadler's property, and she anxiously called the park district to try to get someone to take care of it immediately.

"It's practically a bonfire," she said.

Beyond supporting mitigation work, Wengraf said she doesn't think officials have much capacity to change anything with the insurance situation.

"I don't really have a connection. What do you do, call an insurance company on Solano?" she said.

The councilwoman did make a phone call to Lara's office in hopes of speaking with the commissioner but recoiled when the San Diego Union-Tribune revealed that he had taken significant campaign contributions from the insurance industry despite promising not to. He has since said he is "deeply sorry" for his actions.

Wengraf said that her focus now is on informing Berkeley residents, encouraging them to pay their premiums on time and, even when they are approved for continued coverage, to read the fine print of their policies. Many homeowners renew their coverage year after year without a second thought, but might not realize its shortcomings, like failure to cover the costs of rebuilding a home in compliance with new stringent state codes after fire damage, she said.

Ruiz said the fears that residents will be left without any coverage, unable to find a single insurer willing write them a policy, are overblown.

"What I always suggest to people is they shop and compare," or contact an insurance broker who works with several companies, she said. Just like insurers are continuing to work in hurricane and tornado territory, they will continue to cover wildfire land, she said.

"Catastrophe, of course, is not new to the insurance industry — it's a big part of what we do. Wildfires up until last year had never come close to the numbers you see in losses in hurricanes," Ruiz said. The state Department of Insurance reviews years of data when deciding whether to allow companies to raise their rates, and the claims from the California fires will eventually get reflected in those rates and possibly result in fewer non-renewals, she said. Ruiz said residents in the hills might need to pay higher premiums.

"It's a choice to live in riskier areas, and does everybody else have to subsidize it?" she said.

While in some parts of the state, impoverished, rural regions are the areas facing the highest fire risk, in cities like Berkeley and Oakland, the most vulnerable properties are typically in the priciest parts of town.

Randall said he's perfectly willing to pay a higher premium. He'd just like to be able to hang onto coverage this go-round.

“Frankly I thought the Allstate premium was quite reasonable,” he said. “If they had doubled it I would have stuck with them.”