It’s getting harder and more expensive to insure your California home. What can you do?

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Consumer advocate shares homeowners insurance tips as wildfires make policies harder to get, more expensive

Californians are finding it harder and more expensive to insure their homes in the wake of devastating wildfires across the state in recent years. Premiums are rising sharply, even with requirements from 1988’s Proposition 103 that the state review and approve rate increases.

And that’s for the lucky homeowners. Others are getting notices from their longtime insurers that their policy won’t be renewed, forcing them to scramble to find a new one. And major insurers like Allstate and State Farm have stopped writing new policies, in the Golden State, leaving fewer options.

We asked Amy Bach, cofounder of the United Policyholders consumer group, how consumers can navigate this shifting insurance landscape.

Q: Why is it suddenly harder and more expensive to insure homes in California?

A: It’s a national phenomenon, and California has been particularly hard hit. Alabama, Mississippi, Louisiana and Florida have been hit too, and Colorado seems to be heading in a similar direction. The short answer is that insurers have been reacting to climate change by raising their rates, reducing the number of homes they’ll insure and lobbying for more freedom to increase rates.

Q: What does that mean for our insurance bills?

A: For consumers, your rates are going to continue to go up for the foreseeable future. I’ve been telling people the days of paying under $1,000 annually for insurance are over. California’s homeowner insurance rates, when you look at the rest of the country, have been in the lower third. Part of the reason is Prop 103's requirement that rates not be excessive.

Now that we know climate change is manifesting, and part of it is droughts and more frequent and severe wildfires and hurricanes, everyone can expect their insurance rates to go up.

Q: My insurer just sent notice that my policy won't be renewed. Now what?

A: Know your rights and start shopping ASAP. They have to give you 75 days notice before the end of the policy. If you believe you are being non-renewed in violation of the law, or that they're discriminating against you, file a consumer complaint with the California Department of Insurance (insurance.ca.gov/01-consumers).

Read the reasons — what did it say in the letter? Did they give you any option to keep the policy? If they've given you a home improvement to-do list and if you can do the things on the list, do them. Sometimes you can't.

If that's the case, don't panic and start shopping. Work with an agent to find all options. Professional help is in order here. A good agent can help you find options. The Department of Insurance can help. They have a consumer hotline at 800-927-4357 and an online insurance finder.

Q: Am I being dropped or getting higher premiums because I filed a claim?

A: Insurers pay attention to your claim history and risk score. The areas hit first with rate increases and non-renewals are areas where there have been wildfires. They're definitely feeling it the worst. I think it's insurance company bean counters looking at the red ink in areas where they've paid wildfire losses and don't like what they see.

Q: I got a non-renewal notice — why didn't they give me an option of just paying more?

A: Insurers are obsessively worrying about wildfire risk in California, that is largely what's driving this. In the past, we'd try to get the insurer to change their mind, but now we're hearing that trying to get a non-renewal reversed is a waste of effort. That's why we emphasize start shopping as soon as you get dropped.

Q: The Department of Insurance says there are 115 companies offering insurance, even in wildfire risk areas. Are there really lots of options?

A: There are definitely options. There are very few beyond surplus lines companies. That's a type of company that is less regulated. Standard admitted insurers (like State Farm, Farmers and Allstate) are licensed and regulated by the state. Surplus lines (non-admitted, excess and surplus) insurers are picking up customers that admitted insurers have dropped. They have a lot more freedom on rates. California residents can check a list of approved surplus lines insurers online (www.insurance.ca.gov/01-consumers/120-company/07-lasli/).

Before this crisis, we only knew a handful of agents who were putting homeowners with non-admitted companies because they're not as regulated. But they are serving a purpose here because they are an alternative to the (last-resort) FAIR Plan.

It's never good for consumers to be with companies that are less regulated, but if they've gotten non-renewed and they're in a WUI (Wildland Urban Interface area) their choice is probably going to be the FAIR Plan or surplus lines.

Q: If I have to go on the California FAIR Plan, the state-established, last-resort private fire insurance program, how bad is that?

A: Going with the California FAIR Plan isn't the end of world. The FAIR Plan is a home insurance program for people who can't find a better option. Fair Plan policies provide only basic fire protection, no liability or theft, and cost more than a traditional policy. If you can afford to, add supplemental coverage for what a FAIR Plan policy excludes.

The only way to know what your options are is to aggressively shop, and not just look for the cheapest premium. People who get dropped in California these days can expect their premium to double or even triple. We have heard of people getting a better price from the FAIR Plan than from a non-admitted insurer, because the FAIR Plan is regulated. It really depends on the age and type of home and where it's located.

Q: After State Farm stopped issuing new policies, a lot of experts were comparing California's insurance

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market to hurricane-wracked Florida. Is that where we're heading?

A: The State Farm announcement was really discouraging for those of us who are helping homeowners shop. They were the one brand name, admitted and licensed, that was still taking customers in the Wildland Urban Interface area, where most other brands have cut way back on the number of homes they'll insure in brush areas in California.

I don't want to sugarcoat it — it's bad. But it's not like State Farm is leaving, they already have a fifth of the market. And the FAIR Plan offers a lot more options than people realize.

There was a hearing in Sacramento the other day where insurers made their case that they should be allowed to use catastrophe models to set rates. Traditionally, we've said you can only use historical data, these predictive models are only going to hurt consumers. But if that's what it takes to get competition back in the state, the possibility of them getting one of their wish-list items could help things loosen up.

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