Marin homeowners grapple with fire insurance cancellations

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Marin residents are among the many Californians who are getting their fire insurance canceled despite the county's aggressive fire prevention measures.

Not even Mark Brown, executive director of the Marin Wildfire Prevention Authority, is immune.

"I received my non-renewal notice," Brown said during a program on fire insurance organized Tuesday by the nonprofit group Fire Safe Marin.

Brown said it didn't seem to matter to his insurance carrier that he had taken numerous steps to make his home more fire-resistant. The wildfire authority, which is funded by a countywide parcel tax, inspects Marin homes and issues a report to owners listing the steps that need to be taken to reduce wildfire risk.

The moderator of the program, Rich Shortall, executive director of Fire Safe Marin, said his fire insurance also was canceled recently.

Other guests at the forum included Amy Bach, executive director of United Policyholders, a nonprofit focused on consumer education; and Erick Henerlau, an independent insurance broker with Anixter & Oser Inc. in Novato.

"We're getting calls every day — on some days three to five calls a day — from people being canceled," Henerlau said.

In recent years, insurers have ended coverage for hundreds of thousands of policyholders in fire-prone areas such as Wine Country and the Santa Cruz Mountains. Homeowners unable to find traditional policies have been left to buy into the exorbitantly expensive California Fair Access to Insurance

Requirements Plan, or FAIR Plan, the state's insurer of last resort.

Meanwhile, some of the largest carriers, including State Farm and Allstate, have stopped writing new home insurance policies anywhere in California. That means less competition among insurers, a potential factor in recent rate spikes.

Bach said that in addition to the increased risk of wildfires because of climate change, along with higher home replacement costs because of inflation, there is another factor driving the increase in insurance cancellations.

"One of the most significant factors driving the crisis is the technology that insurers are using now," Bach said. "Aerial images, artificial intelligence and all kinds of data are making risks that they had been taking more blindly a lot more vivid to them."

In addition to encouraging residents to make their homes more fire-resistant, the Marin Wildfire Prevention Authority is involved in large-scale efforts to clear fuel breaks around residential areas.

"Unfortunately," Brown said, "the models that the insurance industry has been using are completely blind to the work that the MWPA and residents have been doing."

Brown said California Insurance Commissioner Ricardo Lara is working to change that.

"There are updates that are rolling out to the risk models the insurance industry is using," Brown said. "We've made some very important connections in the insurance industry in the last two or three months that I think are going to pay off for us down the road."

Nevertheless, in the short term, Marin residents can probably expect the cancellations to continue, Brown said. California law requires insurers to give policy holders 75 days notice before ending their coverage.

"We're telling consumers you may need every day of the 75, so don't put your head in the sand," Bach said. "An independent agent is going to be your best resource because they typically can put you in touch with a number of options."

Bach said very few "admitted" insurance carriers are writing policies in California. An admitted insurance company has met regulations set by a state's department of insurance.

Bach said independent agents are typically more likely to be able to assist with "non-admitted" insurance carriers, which are usually superior to the FAIR Plan.

Both Bach and Henerlau said the California insurance landscape is likely to change soon, and they hope for the better.

"The insurance commissioner is advancing a sustainable insurance strategy to try to get insurers back and restore availability," Bach said.

Last week, Lara revealed more details about his plan to stabilize the state's faltering home-insurance market. In exchange for allowing insurers to raise rates based on the growing threat of climate change — long an industry demand — companies would agree to expand coverage in parts of the state with the greatest wildfire risk.

Those areas would include vast swaths of the North and Central coasts, the Sierra Nevada and most of far Northern California. In the greater Bay Area, insurers would be required to write more policies in Marin, Napa and Santa Cruz counties, as well as parts of San Mateo and Sonoma counties and a sliver of Santa Clara County.

Lara's plan aims to entice insurers to cover more homes by allowing them to justify overall rate increases using complex modeling programs that calculate the future risk of disasters. Currently, the state insurance department requires insurers to determine rates based on historical damages, which the industry argues has kept rates too low in many areas to offset the risks of worsening fire seasons. All other states already allow insurers to use forward-looking "catastrophe modeling," and many have higher rates than California.

In return, insurers must work to collectively cover 85% of homes across designated fire-risk areas.

Consumer advocates, meanwhile, are pushing back hard on the proposed reforms, arguing that the use of catastrophe modeling would lead to unfair rate hikes through an opaque and potentially discriminatory process.

They’ve also raised concerns that smaller insurance companies and new carriers entering the market would be exempt from some requirements. And they suggested the insurance department might be unwilling to enforce the new coverage mandates after an initial two-year period to phase in the changes.