

New data shows insurance companies non-renewed fewer homeowners in 2020 while FAIR Plan ‘insurer of last resort’ policies increased

Village News

LOS ANGELES - According to a new report released by the California Department of Insurance, the number of homeowners non-renewed by insurance companies fell by 10% statewide in 2020 compared to the previous year.

Mandatory moratoriums by Insurance Commissioner Ricardo Lara made up more than 80% of the statewide reduction in non-renewals. The report also showed that the number of policies written by the FAIR Plan increased for the second year to a new high, underscoring the need for continued actions that Lara has taken to strengthen its coverage for consumers. The data represented approximately 98.8% of the homeowners’ insurance market in the state.

“More communities are rolling up their sleeves to protect their homes from wildfire. And more insurance companies are heeding my call to give incentives for home safety,” Lara said. “While we still have a way to go until we have an insurance market that works for all Californians, I remain focused on increasing home safety measures to protect homes and promote market competition while strengthening the FAIR Plan, California’s insurance safety net, so it better addresses consumers’ and businesses’ coverage needs.”

The number of non-renewals by insurance companies fell from 235,597 in 2019 to 212,727 in 2020 - a decrease of 22,870 policies - while the number of new and renewed homeowners’ policies issued by the

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Source:

<https://uphelp.org/new-data-shows-insurance-companies-non-renewed-fewer-homeowners-in-2020-while-fair-plan-insurer-of-last-resort-policies-increased/> Date: November 24, 2024

voluntary market statewide increased from 8.62 million to 8.7 million, or an increase of 82,635 policies. California is the largest insurance market in the nation, and non-renewals by insurance companies affect less than 3% of California policyholders, although data shows that areas with greatest risk of wildfires experienced higher rates of non-renewals.

The FAIR Plan, an association made up of insurance companies that serves as California’s “insurer of last resort,” provides insurance coverage to less than 3% of the state’s homeowners. The number of consumers forced to obtain a policy from the FAIR Plan, however, because they could not find an insurance company willing to write them coverage increased by 49,049 policies in 2020, to 241,466 new and renewed policies. While the Department of Insurance data covers only 2020, the Sacramento Bee reported in October that the FAIR Plan expects continued growth of policies in 2021.

The data also suggested that Lara’s actions have contributed to declines in non-renewals, especially in wildfire risk areas. Lara implemented a series of temporary one-year moratoriums on non-renewals under a state law that he wrote when he was a member of the California State Senate, protecting more than 1 million policyholders in 2019 and 2.4 million in 2020 who lived in the perimeter or adjacent to a governor-declared wildfire disaster. Areas in the state under moratoriums saw non-renewals fall by nearly 20%, compared to a less than 3% decrease in areas not under moratorium.

“Temporary non-renewal moratoriums are essential to California property owners and communities as stakeholders work to reduce wildfire risk and restore available and affordable insurance options,” Amy Bach, executive director of United Policyholders, said. “The science behind incentivizing home safety is indisputable and supported by consumer groups and first responders. Commissioner Lara has undertaken reforms of the FAIR Plan that are long overdue and will help homeowners in the future even after we solve this non-renewal issue.”

Since taking office in 2019 after the deadliest fires in the state’s history, Lara has held in-person and virtual meetings on wildfire issues in 36 counties attended by more than 10,000 local residents. Out of these meetings, he has grown his comprehensive strategy to support a competitive insurance market for all communities while strengthening consumer protections.

Among the consumer protection actions that Lara has taken since assuming office in 2019 include at his

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urging, several major insurance companies including Allstate, CSAA and Farmers, among others, have told the Department of Insurance that they will increase the number of new homeowners policies written in the state and cease or limit non-renewals.

Recent insurance company rate filings approved by the Department of Insurance have significantly expanded insurer-recognized mitigation efforts made by consumers and grown premium discount offerings, up to 20% for wildfire-hardened homes, to include 2 in 5 consumers - with five additional companies offering incentives since 2019. The full list of companies offering premium discounts is available on the Department of Insurance's website.

He ordered the FAIR Plan to raise homeowners coverage limits to keep pace with increasing home values in California and to offer a comprehensive homeowners' insurance coverage option in addition to its current limited coverage today. While the FAIR Plan has resisted the commissioner's order, a judge ruled in July that the commissioner has the existing authority to order the FAIR Plan to provide these enhanced coverage options that benefit consumers.

Initiated a partnership with Gov. Gavin Newsom's administration, bringing together the state's major emergency response and preparedness agencies to create resilient wildfire safety measures for homes and communities. That group is close to completing its work.

Introduced new regulations to incentivize safety mitigation standards and provide more transparency to consumers on their wildfire risk scores. When formally adopted, these regulations will require insurance companies to recognize homeowners' safety actions when they evaluate the wildfire risk to homes and communities as well as allow consumers to know their risk scores upfront and be able to appeal them.

Sponsored a law that increases payouts and evacuation benefits for wildfire survivors. Senate Bill 872, written by Sen. Bill Dodd of Napa, created new protections despite opposition to the measure from the insurance industry.

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