

[Next battle in California with insurers is over home policyholder discounts for cutting fire risks](#)

The Press Democrat

Will Abrams and his family barely escaped from their house in the Riebli-Wallace neighborhood of Santa Rosa as the flames from the 2017 Tubbs fire bore down on their residence.

“I had my two) kids under my arms running to our cars and we barely escaped with our lives,” said Abrams, a 49-year-old consultant who has background in high-tech businesses and government under former New York Mayor Michael Bloomberg. “We were driving through flames.”

As others rebuild, Abrams has not. His family still resides in a rental home about 15 minutes from his vacant burned lot. He fears that even if he rebuilt with all new features to fortify his home against a wildfire, such as a noncombustible roof, dual-paned windows and sprinklers, he may still not get insurance coverage in an area close to forests, grasslands and other flammable landscapes.

“I was concerned that if I did all the right things that insurance would be increasingly an issue,” he said. “We haven’t made a decision on the lot.”

The quandary Abrams faces is becoming the new normal in California as state lawmakers ponder the future potential of wildfire risk for the 8.5 million home insurance policyholders in California.

In response, there is movement afoot to focus on steps homeowners can take to make their homes less vulnerable to fire risk — from placing new vents in attics and crawl spaces so burning embers will not get inside to replacing wood-shingled roofs — and gain momentum to solve this vexing problem. If such measures are taken, home insurers should be required to provide coverage at an affordable price, homeowners and lawmakers say.

“The world changed around them homeowners). Now we have to help them adapt to the new reality or our California dream becomes at risk,” Assemblywoman Lorena Gonzalez, D-San Diego, said. “That is why it is important we have a broad coalition.”

Gonzalez is a sponsor of legislation AB 2367) that would require insurers to write or renew policies for existing homes in communities that meet requirements under an eventual statewide standard for hardening homes against fires. The bill would give state Insurance Commissioner Ricardo Lara the power to require insurance companies to offer financial incentives for homeowners who make their residences less prone to fire risk — similar to how automobile insurance policies offer a safe driver discount.

Lawmakers are under pressure to do something, since insurers have stepped up policy cancellations as they rebalance their risk portfolio and recover from billions of dollars in wildfire losses statewide the past three years. Some insurers are refusing to write new homeowner policies in fire-prone areas. As a result, the state’s nonprofit insurer of last resort, known as the FAIR Plan, has seen an uptick in coverage of residential properties, including in Sonoma County.

In response, Lara in December banned insurance companies for one year from canceling coverage for people residing in or near areas where the state’s 16 wildfires burned in 2019, including 140,000 policyholders living close to the Kincadee fire that ravaged a significant part of north Sonoma County in October.

Seeking long-term solution

Part of the drive for more insurance legislation to protect homeowners has come from local residents such as Santa Rosa’s Abrams. The big concern is without a long-term solution, homeowner insurance will be increasingly harder to get statewide and annual policy premiums more expensive. Furthermore, local home sales could be scuttled, property values lowered and the local tax base diminished.

“It’s much the same way we are expecting from PG&E to harden their grid and adjust to climate change,” said Abrams, who has become an advocate on numerous rebuilding issues, including home insurance matters.

Abrams and Sonoma County Supervisor Susan Gorin — who lost her home in the 2017 Nuns fire — met

with Lara's office to offer input before the fresh insurance legislation was unveiled last month.

The big question is whether the insurance industry will get on board with giving discounts to homeowners who reinforce their houses?

Preliminary indications are the industry is sticking to the position it has had for the last few years: the state of California has kept homeowner insurance rates much lower than elsewhere in the nation and there would be sufficient policy availability if insurers could properly set annual premiums based on individual property risks.

State law, mandated after passage of Proposition 103 in 1998, requires the state Department of Insurance to review proposed rate increases before insurance companies can implement them. In practice, insurers typically have asked the state for an annual homeowner policy price increase up to 6.9%, because any greater amount would trigger a hearing in which consumer advocates could challenge the rate proposal.

Trying to find the right balance

The two major state insurance associations — the American Property Casualty Insurance Association and the Personal Insurance Federation of California — said in a statement that “we must strike a balance that ensures the availability of coverage and safeguards insurers’ ability to pay homeowners’ claims in the face of large-scale disasters.”

They note in the statement the \$14.7 billion in profit insurers made from 2004 to 2016 was not enough to make up for the more than \$22 billion in underwriting losses they sustained from the 2017 and 2018 California wildfires, according to an analysis by the Millman risk management firm. Those figures did not include investment income, money from reinsurance or recoupment of money insurers paid for wildfire claims.

“This happens when a company is held down by the state in terms of what it can charge,” said Rex Frazier, president of the Personal Insurance Federation of California, which represents large insurers.

The property insurance industry lately has focused on a pending rate adjustment application in California by ASI Select Insurance Corp. of St. Petersburg, Florida. The insurer has asked for a rate increase up to

19% on its homeowner policies. Frazier said he hopes Lara’s office approves the request. ASI said it offers a wildfire mitigation discount for policyholders for things like a high fire-rated roof; siding and decking made of noncombustible materials; and external sprinklers.

“This company is willing to write new business and willing to include these discounts),” Frazier said.

Such policy discounts for home upgrades are offered elsewhere, such as in Florida where insurers started giving windstorm mitigation discounts to homeowners in the aftermath of hurricanes that pummeled the Sunshine State in 1992 and again in 2004 and that practice has not disrupted those markets, said Amy Bach, executive director of United Policyholders, a San Francisco-based consumer advocacy group.

“No one is saying the insurance companies have to operate at a loss. This has to be a team effort,” Bach said. “People only have so much ability to pay higher rates.”

The new legislation would allow the state insurance commissioner, the governor’s Office of Emergency Services and the state Fire Marshal to develop statewide standards to mitigate wildfire risk within communities and ensure insurance availability.

That standard could solve some problems that have emerged in Sonoma County, said Santa Rosa Assistant Fire Marshal Paul Lowenthal, who noted some of his staff has been called out to home sites to inspect home upgrades they viewed as sufficient, but insurance companies argued was not enough.

The insurance industry contends much of the research on homebuilding upgrades that reduce wildfire risks is still years behind what’s known to curb hurricane and earthquake damage to structures and remains unproven, Frazier said. “There isn’t the science to back it up,” he said.

Leery of ‘Band-Aid’ solutions

Max Moritz, a wildfire specialist at UC Santa Barbara, acknowledged the science “is emerging and it’s very young.” But he added “there is pretty widespread agreement on a handful of things” to reduce fire risk that include a replacing a wood-shingled roof, retrofitting vents and landscaping property to ensure vegetation is farther away from the structure.

The UC Cooperative Extension recommends a 5-foot wide noncombustible zone around an entire house,

and that within 30 feet around the perimeter trees and taller vegetation should be well-maintained and separated from the house and each other.

As state lawmakers wrangle over the next steps, Abrams said he is concerned about more “Band-Aid” solutions that do not provide a comprehensive way to ensure affordable homeowner insurance despite the escalating fire risk. His family will have to make a decision before the start of the next school year in September on whether to buy somewhere else or commit to rebuilding in Sonoma County.

“I applaud Commissioner Lara’s efforts here but ... short-sighted efforts will only last us until the next wildfire,” Abrams said. “We need the type of progressive and collaborative leadership that California is known to provide and the legislation to support it.”

Local and state standards for landscaping and vegetation management need to be updated to ensure there is enough defensible space in neighborhoods to help guard against wildfires, he said.

“Of course, we should encourage insurance companies to insure in California at reasonable rates,” Abrams said. “However, this is of little comfort to many wildfire survivors like me rebuilding after the fires, or looking to purchase a home, which is often our largest financial investment.”