

Residents face uncertainty as home insurance options dwindle amid fire risks

Press Banner

Wildfire preparedness meeting highlights dire situation in the Valley

There was a moment, about an hour and a half into City of Scotts Valley's wildfire preparedness meeting May 14, when the stark reality of the current home insurance landscape in California came into focus.

Vice Mayor Derek Timm, at the podium, asked for a show of hands for those who had coverage yanked or received nonrenewal notices.

"Guess what? You're not alone," Timm said, his right hand in the air along with what looked like a majority of the crowd, morbid laughter filling the theater. "I don't know if that's comforting. But, we're all in the same boat, and I think that's why we're all here tonight."

The event included presentations by Andrew Clark, a defensible space expert with Cal Fire; Sally Mack, a Firewise leader for Terrace Grove Road; and Scotts Valley Fire Protection District Battalion Chief Chris Stubendorff, among others.

Clark tried to get the audience to look for practical solutions in what the speakers said.

"I would ask you to take something out of this tonight that you will go and do, and I'll ask you to just kind of commit to that for me," he said.

Mack discussed how residents can band together to make their neighborhoods safer.

Richie Sayavong, an outreach analyst with the California Department of Insurance, said the insurance industry in the state is at a crossroads.

“Natural disasters and global inflation are creating stress on the insurance markets,” he said. “This is not just happening here. It’s happening in every state.”

Increased costs for rebuilding, labor shortages, higher rates and lack of availability of policies, Sayavong said.

“As risk increases, companies are protecting their obligations to current consumers and limiting new business,” he said.

Sayavong noted that while there are 115 companies selling homeowners insurance in California, 12 insurance groups control 85% of the market.

“And since 2022, seven of those top 12 insurance groups have paused or restricted new business—despite rate increases approved or pending with the Department of Insurance,” he said. “Clearly, the problem is more complex, and global in nature. And it is affecting us here at home.”

Sayavong said if insurance companies go broke, it harms everyone, because they wouldn’t be able to pay their claims.

He discussed the “Safer From Wildfires” framework, explaining how to protect homes, their surroundings and the wider community from wildfires, which is related to getting insurance discounts.

A panel discussion led by Timm included Edan Cassidy and Kami Cady from Cassidy Insurance Brokers, Joel Laucher from United Policy Holders and Maggie Barr from the Association of Realtors.

Cassidy put up a slide showing the April 1 update to Cal Fire’s Fire Hazard Severity Zone map.

“Each insurance company uses proximity to fire hazards as a major determinant for their underwriting appetite,” he said. “They may not use Cal Fire’s map exactly, but they definitely use something—probably proprietary, each one of them—which includes distance from forest and brush and hazard zones. Some companies now allow no less than one mile of distance from defined fire hazards. Scotts Valley, being only two miles wide—east to west—doesn’t really escape that, right?”

He recalled driving up Highway 101 through Santa Rosa after the 2017 Tubbs Fire, where a fire cut

across a four-lane highway and devoured thousands of homes.

“Every corner of even the City of Scotts Valley is off-limits to many insurance companies right now,” he said. “Of course, we should all pursue mitigation and hardening and defensible space and become Firewise communities. That all makes perfect sense to every single one of us. No one would argue with that. But we’re unable to control everything within a mile of ourselves... Insurers are not able to price the risk right now. They can’t get the rates that they need... They only have a couple of options. They can either tighten the rules, or they can stop writing the insurance. And that’s what they’ve done. No major insurers are completely open to writing classic homeowners in Scotts Valley and surrounding areas right now.”

Timm said it would be great if at least one insurance company returned to the market by the end of the year.

“I know that consumers win when we have competition out there,” he said. “We want to see those markets open again.”