

Some California homeowners in fire-prone areas face steep insurance increase

SAN DIEGO (KGTV) — Across the state, homeowners are preparing for what could be another long wildfire season.

Last year broke records for fires in the state, with more than four million acres burned, and this year has already seen hundreds more fires than the same time frame last year.

Some homeowners say that while they are prepared for the worst, they weren't prepared for steep insurance premium increases or being dropped from their insurance coverage altogether.

"These companies, they browbeat you into consolidating all of your insurance needs under them, and then they can cherry-pick what they want out of it because then you're at risk," said San Diego County resident Bob Watkins.

Until two weeks ago, Watkins lived in an area that got its fair share of fires.

But nothing too major until 2018. The West Fire in Alpine burned hundreds of acres and dozens of homes.

While his home was safe, Bob says a year after the West Fire, his insurance company dropped him.

"We were now in a high-risk area, and they were no longer going to write the policies for that area," he said.

As the state has dealt with years of record fire damage, Bob's story is not unique.

Some insurance companies have cut back on what they're willing to cover in fire-prone areas or increased prices due to risk.

According to state data, in 2019, insurers did not renew 235,000 policies across the state. At the same time, new FAIR Plan policies increased by 225%. The FAIR Plan is a syndicated fire insurance pool comprising all insurers licensed to conduct property/casualty business in California.

“We are in the middle of a crisis of sorts,” said Amy Bach, executive director of United Policyholders.

United Policyholders is a consumer organization whose mission is to be a trustworthy and useful information resource and an effective voice for consumers of all types of insurance.

Bach says there are a few factors driving prices, including climate change and new technology.

“Those tools tend to overstate risk, right. They tend to scare insurers to the point where they run away,” she explained,

“If people can’t get insurance for their homes, they can’t get a mortgage, and they can lose their homes if they lose insurance and can’t find it anyplace,” said Harvey Rosenfield with Consumer Watchdog.

Rosenfield authored Proposition 103, which was passed by the voters in 1988.

According to the state it, “requires the ‘prior approval’ of California’s Department of Insurance before insurance companies can implement property and casualty insurance rates. The ballot measure also required each insurer to ‘roll back’ its rates 20%. Prior to Proposition 103, automobile, property and casualty insurance rates were set by insurance companies without approval by the Insurance Commissioner.”

Rosenfield said his organization is constantly monitoring rate applications to the state and whether the insurance industry is entitled to rate changes.

“Some neighborhoods have a higher risk of wildfire, but other neighborhoods don’t,” he said. “Other neighborhoods are mostly urban, and we’re seeing requests for an increase that are across the board.”

So what does the insurance industry have to say?

“Premiums are going up because the risk is going up significantly,” said Mark Sektnan with the American

Property Casualty Insurance Association.

Sektnan explained that premiums are at best an imperfect mirror of the risk they are trying to cover.

“One of the challenges the insurance companies face is that because of the highly prescriptive regulatory system, we almost have to, in essence, we’re driving the car by looking through the rearview mirror. Because we base premiums on losses, not what we know, not what we see coming because we’re not allowed to use that type of modeling yet,” he said.

One suggestion made by watchdog groups to help ease the price increase would be discounts for customers who mitigate their risk, similar to a good driver discount on your vehicle insurance.

It is something the industry is looking at, but Sektnan says wildfire risk is different.

“What we need to focus on is community mitigation,” he said. “Every house needs to do it, and you need to maintain it, and it needs to be done constantly.”

If you do have an issue renewing with your insurance company, the experts say to shop around.

Bach’s nonprofit offers tips and help with the process.

If you can’t get coverage, there is the California FAIR Plan option.