

Sonoma County homeowners jolted with insurance hikes as a result of wildfire risk

Press Democrat

Lesley Muller said her jaw dropped when she got her renewal notice from the carrier that insures her Cloverdale home. The bill increased by \$700 annually to \$2,200.

“When I got it, it shocked me,” said Muller, a retiree whose insurer also covers her family’s cars and a home in Arizona.

She called up her insurance broker who checked with five other carriers that all declined to make an offer and said the only other option would be the state FAIR plan, which is the state’s insurer of last resort. That option would be considerably more expensive for less coverage.

“So, what do you do? Pay the high premium!” added Muller, who declined to name the carrier to prevent any repercussions.

She’s not alone.

Greg Lucas of Santa Rosa said his bill originally went up about 50% to \$2,150 annually from CSAA Insurance. He checked around but could find no better deal and ended up reducing the price to about 25% spike by upping his deductible and lowering the amount of personal property coverage.

Torben Moller of Windsor renewed his policy at a 50% increase and added he “can’t complain too loudly” because wildfires have driven risk for carriers and there has been an increase in rebuilding costs.

Those comments are just a small snapshot of what is occurring across the state of California as insurance carriers have raised rates and dropped coverage to adjust to wildfire risk. That came into stark terms locally with the 2017 North Coast wildfires that destroyed 5,334 homes in Sonoma County.

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The threat has continued in years since across the Golden State.

“We are seeing how badly consumers get hurt when there is no competition,” said Amy Bach, executive director of United Policyholders, a San Francisco-based consumer advocacy group.

Her group has conducted a survey of 584 respondents that found almost 98% experienced a price increase in their homeowner policy this year, many of whom had a doubling in premiums.

State Insurance Commissioner Ricardo Lara is attempting to change the current status, which is on an unsustainable path if the rate hikes continue and more homeowners get dropped. His office in February announced a proposal that would bring more transparency over how insurance carriers set prices for wildfire risk, and it would require that they factor in steps consumers and businesses can take to mitigate such threats and save money.

That could include such actions as clearing trees and shrubs around the structure or installing home-hardening items, including roofs that have the highest fire protection with such materials as fiberglass-asphalt composite or steel.

Lara unveiled the guidelines that were assembled with the help of officials from the Governor’s Office of Emergency Services, Cal Fire and the California Public Utilities Commission. His second step is to craft final rules that require carriers to use that framework within their wildfire risk score on how they price their policies.

The guidelines would be similar in practice to what Gulf Coast states already use to mitigate threats from hurricanes. It also would include steps taken at a neighborhood level with so-called “Firewise” communities where local officials have taken such actions as identifying evacuation routes and clearing overgrowth to better curb the wildfire risk — which include some in Sonoma County.

“We can make homes and businesses safer because there is a one-to-one connection between safety and the cost of insurance,” said Michael Soller, a spokesman for Lara. “If we can close that gap, that is the future of California. The future of California doesn’t have to be more destructive wildfires.”

The rule-making is latest step in the aftermath of the 2017 fires to adjust to the increased prevalence of

wildfires. The initial action was reactive as many local homeowners whose property were destroyed or damaged almost five years ago found they were severely underinsured for the cost of rebuilding.

Others battled over procedures to detail their personal property loss while some ran out of coverage with their alternate living expenses before their homes got rebuilt. Lawmakers responded by passing legislation that would provide greater consumer protections for those whose homes would be destroyed in future fires.

The focus now is to be proactive in the marketplace to help protect homeowners amid carriers pricing for the greater frequency of wildfire threat and better help them understand what goes into such formulas and how they can take steps to reduce their bill.

Muller, for example, noted that she lives nearby a Cal Fire station but didn't get any break. "There wasn't a ton of transparency when I called my insurance company," Lucas added.

There already has been some progress as more than a dozen companies now offer a discount on their own for fire-hardened homes, according to Lara's office.

The industry has adapted to the increased prevalence and destruction by updating its wildfire risk formula. Carriers typically would rate fire risk based on how much brush and trees surrounded the property; whether it was located on a slope; and the accessibility for fire trucks to reach a home and whether a fire hydrant was nearby, Bach said.

They now use software that models risk with more sophisticated metrics. One company, Zesty.ai, notes that it can compile "vital property details and actual loss data with machine learning to produce a predictive risk score."

The insurance industry, which is politically powerful in Sacramento, is keeping a watchful eye on the crafting of the final rule. Last month, an industry-backed research group, the Insurance Institute for Business & Home Safety, launched what it said was the first wildfire mitigation designation program for homeowners.

It would be a voluntary program that included an educational component; a system of mitigation

practices; and verification process that would bring a uniform standard to assess wildfire risk.

An industry spokeswoman said that framework was similar to what the Department of Insurance is proposing. The industry is more wary of the regulation of modeling issues in Lara's proposal that it contends could reveal a company's intellectual property that goes into a fire-rating risk. Carriers also argue that it would be "difficult, if not impossible" for them to dissect for a policyholder all the various factors that go into a wildfire rating risk score as proposed in the rule, according to an April 11 letter signed by four major trade groups.

Meanwhile, consumer groups —Consumer Watchdog, Consumer Federation of America and Consumer Federation of California — are asking the final rule be amended so that it doesn't just require carriers to consider mitigation actions when setting a premium price, but also on their decision on whether to sell and renew coverage for a client.

The crux of the debate will come down to whether there can be a regulation that will incentivize homeowners to take steps knowing that they will be rewarded on their bill, Bach said.

"People need financial incentives in order to put the time and money into wildfire risk reduction," she said. "They need to know it's going to benefit them because otherwise people are not going to do it."