

This is how a California wildfire can change your homeowners insurance rate

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Some Southern California residents have seen their insurance rates skyrocket as a result of wildfires. The latest round of fires is fueling concerns that rates may eventually be boosted again.

Scores of Southern California residents living in or near the path of the latest wildfires have suffered damage to their homes — or barely avoided it.

Will they see their insurance rates go up as a result?

Rates may eventually rise, but it won't happen right away, according to Janet Ruiz, the California representative for the Insurance Information Institute.

"Insurance companies don't react immediately to something like a specific fire," Ruiz said. "They will look at the last five to 10 years and the history of the area where the homes are."

Insurers consider a variety of factors when considering a rate hike, she said, such as whether a home has a sprinkler system and if the homeowner has cleared brush away from the house.

"Some places have what they call 'fire-wise communities' where the whole community works together to make sure the land is cleared," Ruiz said. "Insurance companies will look at things like that as well as the loss history of the area and what other precautions people may have taken to protect their homes."

The average deductible for fire insurance in California ranges from \$1,000 to \$2,000, although people with more expensive homes and those living in extreme high-risk areas pay around \$5,000, according to Ruiz.

If one area has experienced more significant fire damage and a greater loss of homes than other areas

an insurer might consider hiking its rates. But in order to do that the company must go through the California Department of Insurance.

“That’s a whole process,” Ruiz said. “They have to submit all the data they are looking at and explain why they think the rates should be increased.”

STATE AGENCY MUST APPROVE INCREASES

Nancy Kincaid, a spokeswoman with the California Department of Insurance, said insurance companies are required to submit a rate filing that documents the losses they have experienced as well as what they expect to pay out as a result.

“The scientific modeling for fire hazards is so much more refined now,” she said. “They are now able to tell within a block which homes are in more danger. This is a better way of pinpointing high-risk properties. Some people have seen their rates go down while others have had rates go up dramatically.”

Kincaid stressed that California is a competitive marketplace. If someone gets dropped by their current insurance company because it deems their area is too much of a risk, there are plenty of other companies that provide fire insurance, she said.

Those living in extreme high-risk areas can get bare-bones fire coverage through the California FAIR Plan.

BIG INCREASES REPORTED BY SOME INSURED

Yvette Eddy, a field representative with the office of Assemblyman Jay Obernolte, R-Hesperia, said some residents in his 33rd Assembly District have been hit with enormous rate hikes. That region includes the mountain communities of Big Bear and Lake Arrowhead.

“We’ve seen more than 20 cases of significant rate hikes or people being canceled by their insurers,” she said. “In one case someone saw his annual premium go from about \$1,500 to \$6,500, and another one went from \$765 a year to \$2,250.”

INSURANCE COMPANIES ASSESS FIRE RISK

Insurance companies in California use a system called FireLine from Verisk Analytics to determine the

potential risk to insured properties. The system evaluates the fire risk to a property based on three factors:

- Fuel — Grass, trees or dense brush can feed a wildfire.
- Slope — Steeper slopes can increase the speed and intensity of a wildfire.
- Access — Limited access and dead-end roads can impede firefighting equipment.

Eddy said Obernolte is holding meetings with everyone who is involved in insurance rate increases to lobby for greater transparency in the industry.

MAJOR FIRES HAVE HIT SOUTHERN CALIFORNIA

Southern California has been hammered by a series of major wildfires in recent weeks. The Blue Cut fire, which is still raging near the 15 Freeway in the Cajon Pass, has burned nearly 32,000 acres and destroyed dozens of structures. That came on the heels of the recent Sand, Pilot and Sage fires.

The Sand fire near Santa Clarita chewed through more than 41,000 acres, leaving one person dead and destroying 18 homes, and the Sage fire near Stevenson Ranch burned through 1,100 acres without affecting any homes. The Pilot fire burned 8,110 acres near where the Blue Cut fire is burning.

“Whenever you have this type of fire activity it gets the attention of insurance company executives,” said Amy Bach, executive director of United Policyholders, a nonprofit group that assists consumers with insurance issues. “It gives them a powerful argument when they go to ask for a rate increase. But it takes time and there will often be challenges. And sometimes there could be a hearing on it.”

Bach said her organization is hearing stories of big rate hikes in the Placerville area as well.

“We’re hearing about people’s insurance rates going from \$1,000 a year to \$4,000 a year,” she said.