

UP offers solutions to California's home insurance crisis



The problem:

Generally speaking, insurance companies want to sell insurance. But they also want to be profitable. Sometimes they will stop selling insurance in a region or to a group of customers they deem too risky.

The information presented in this publication is for general informational purposes and is not a substitute for legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the "Find Help" section of www.uphelp.org. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

Source: <https://uphelp.org/up-offers-solutions-to-californias-home-insurance-crisis/> Date: April 27, 2024

They do this as a *business strategy to improve profitability*. We've seen this happen after large disasters: After the disaster, insurers in the region drop/non-renew customers when their policies expire and put a hold in taking on new customers. This causes competition and buying options to shrink, prices go up, government steps in. Just ask homeowners on Long Island, coastal regions in Florida, Mississippi, Alabama and Texas, and Californians in Lake, Los Angeles, and Ventura counties.

"During 2004 and 2005, Florida was hit by a record eight hurricanes. Together, those storms affected most of the state's population either directly or indirectly. After those hurricanes, insurers either left the Florida market or steeply increased their policies' rates. Floridians suspected that price gouging and general opportunism were keeping them from being able to [find or afford insurance](#) — and they pressured the state government to step in" Excerpted from The Washington Post; "The Strange Story of How Florida's Lawmakers Subsidized Hurricane Insurance", Emanuel Ubert, September 13, 2017.

In California, virtually every major wildfire has triggered a period where home insurance became much harder to find in and around the impacted region. When UP first encountered this problem after the 1991 Oakland/Berkeley firestorm, we worked with local government officials and insurance brokers and launched a consumer/agent matchmaking program branded as "[Match UP](#)". [A program](#) that helps people connect with a local insurance agent or broker that has access to options for them to find a replacement insurance policy on their home.

The initial program successfully helped hundreds of homeowners replace their coverage after being non-renewed. After wildfires in 2003 and 2007, there were patterns of non-renewals but marketplace competition was adequate and people were able to find replacement coverage on their own. Fast forward to 2017 when home insurance availability problems began surfacing in rural areas throughout the Golden State and UP revived our Match UP program on a much larger scale with help from a partner, a startup called Yapacopia. Same concept – match consumers with agents that are pro-actively seeking out companies willing to insure homes in areas that other insurers are spurning.

Today, in the aftermath of the Atlas, Tubbs, Woolsey, and Camp wildfires, residents of rural counties throughout California are experiencing a home insurance crisis. Suburbanites are bracing for the same. ([KQED Forum, 9/19, "Nearly 350,00 Homeowners in Fire-Prone Areas Dropped by Insurers"](#)) Brand name insurers are dropping long time customers. Lesser-known companies are unwilling to pick up the customers they're dropping. People are turning to last-ditch options in record numbers.

United Policyholders and our partners are working hard to find solutions. We're coordinating with the CA Department of Insurance, realtors, local and state elected officials, insurance agents, and the California Fair Plan to find all available paths that will help people get through this crisis and continue to be able to protect their assets.

Our short term recommendations to consumers are laid out in [“Dropped By Your Insurer? Where to go for help in California”](#), and [Wildfire Risk Reduction and Asset Protection Project](#).

Longer-term, we suggest consideration of the following:

- The California Insurance Commissioner orders a temporary moratorium on home insurance non-renewals to give the competitive market a chance to fix itself
- The California legislature enacts new laws:
 - Requiring insurers to take into account, assist and reward risk reduction efforts by property owners
 - Requiring insurers to give at least 90 days notice before non-renewing a customer instead of the current 45 days **Update: As of July 2020 insurers must give [75 days notice](#)**
 - Preventing insurers from non-renewing more than 20% of their customers in a given zip code in a given year (or something along those lines)

Climate Change - the X factor

The search for solutions is more complicated now than in the past. Climate change and technology have introduced big X factors. Predictive models and tools are giving insurers granular information about characteristics of people and properties and future extreme weather events. Author Naomi Wolff saw this coming in her 2014 book; “This Changes Everything” where she quoted me saying “A publicly-traded insurance company in the face of climate change is not a sustainable business model for the end-user, the consumer.”

Will private insurers come back into regions they're now pulling out of or will they stay out? Or will government-facilitated insurance programs increasingly become the only game in town for homeowners in disaster-prone regions?

United Policyholders is in the business of insurance problem-solving. We've been working [since 2010](#) to protect consumers from losing affordable home insurance as the insurance industry reacts to predictions and data on higher losses due to extreme weather events associated with climate change.

Insurers' natural reaction to high losses is to raise prices to recoup those losses and stop selling in areas where they've had to pay out on large dollar claims. When prices go up and competition goes down, insurance buyers feel the pain. Because homeowners with mortgages are legally obligated to buy property insurance, we are vulnerable when this happens. We have no choice, we must pay for insurance in order to keep our homes. And when insurance becomes truly *unavailable*, homes become unsellable and the economic ripple effects are devastating to communities and local governments.

In August 2019 UP was a voice for consumers on a panel of experts invited to testify at the [California Assembly Insurance Committee's hearing](#) on a home insurance availability and affordability crisis that is gripping many parts of the state, sending homeowners, realtors and insurance agents into a tailspin. The hearing had an overall productive vibe, and I am hopeful that the many stakeholders that want to solve this problem are rolling up their sleeves to do so.

As we explain in more detail in the [Climate Change and Insurance](#) section of our online library, it's not just extreme weather events that are reducing the availability and affordability of property insurance. It's also an explosion in the use of drones, predictive analytics/models, and other technological tools that insurance companies are now using in place of traditional loss prediction methods. Some of these tools make incredibly vivid and compelling, frightening predictions about the economic losses that future hurricanes, wildfires, and flooding will cause. And they make it easier for insurers to segregate high and low-risk properties, which undermines the risk spreading/pooling function that makes insurance work.

UP's main objective is to help maintain a marketplace that gives Americans the ability to continue to invest in protecting their assets through the purchase of affordable, reasonably adequate insurance.

Our first engagement in protecting consumers in this context was joining a team that worked at the [National Association of Insurance Commissioners](#) to have all states require insurers to report annually on their activities related to climate change. Since that time, we've launched and been part of a number of other problem-solving initiatives. They include advocating for a national or state by state risk reduction technical assistance and insurance rewards program, (see: [Wildfire Mitigation and Insurance](#)

[Project](#)), [legislation](#) to restrict insurers' ability to non-renew all their customers in a given area at once, and re-launching a version of our [Match UP program](#) to connect homeowners with insurance agents that can help them shop for the coverage they need. See: [Dropped by Your Insurer Where to go for help in California](#).

Further reading:

CA Department of Insurance White Paper: [The Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions](#)

[Availability and affordability of insurance Under Climate Change](#)