

What If Your Home Insurer Bails on Your State?

The Messenger Business

“I’ve gone through some stressful things in my life, and this is right up there,” one homeowner said

If you own a home in California or Florida — or are planning to sometime soon — you may be feeling increasingly worried about something that’s supposed to give you peace of mind: insurance coverage.

Some of the country’s largest property and casualty insurers are retreating from the popular states, halting sales of new coverage or even deciding not to renew existing policies because of catastrophes like wildfires and hurricanes as well as inflated reconstruction and reinsurance costs. It’s an unnerving time, to say the least.

“It’s already so difficult to find a home today,” said Jessica Lautz, deputy chief economist at the National Association of Realtors. “Having home insurers pulling out of some markets is going to be one more hurdle for potential homebuyers who are trying to find a home and get a mortgage.”

Indeed, it’s not just a matter of protecting what is most people’s biggest asset. Insurance is also a mortgage requirement. Buried in the stack of documents all borrowers sign is their promise to maintain insurance coverage on their home. Otherwise, the lenders — or in most cases, the investors who wind up buying mortgage-backed bonds on Wall Street — wouldn’t risk losing their money.

If borrowers can’t prove they have insurance, the servicing companies that send the monthly mortgage bills typically will enact “forced-place” insurance, which is a lot more expensive for the homeowner and designed only to protect the lender. And technically, since the lack of insurance is a violation of the mortgage contract, the servicer could simply put them in default — though that’s not common.

One of the first calls Kellene Dinino, a San Diego homeowner, received after Mercury Insurance told her

her homeowner policy would not be renewed was from Rocket Mortgage, her loan servicer.

“They kept telling me to get insurance or they would put a policy in place that would be more expensive and only protect them,” said Dinino, 39, a wedding planner.

She didn’t need that prompting — she was already spending chunks of her days searching for replacement insurance she could secure before her Mercury policy expired on June 24. Several of the big-name companies, including State Farm and Allstate, weren’t taking on new clients. Plus, even though she hasn’t had a wildfire near her home, she is in a zip code that identifies her property as high-risk. In the end, it seemed like no one was interested.

With one day to spare before her Mercury coverage expired, she got a policy from the FAIR Plan, a syndicated insurance pool in California that bills itself as “insurance of last resort.” It’s costing her more than \$4,000 a year — double her previous premium — and covers only fire damage, Dinino said. To cover herself for liability and water damage, she had to get other policies, adding even more to her cost.

“I’ve gone through some stressful things in my life, and this is right up there,” Dinino said.

In California, which had some of its most destructive wildfires ever in 2020 and 2021, both State Farm and Allstate have decided to stop selling homeowners policies altogether, while Farmers said it would limit new business there. In hurricane-prone Florida, Farmers won’t even be renewing its branded homeowner policies, Allstate has curtailed sales, and AAA has decided not to renew a “very small percentage of higher exposure” policies.

If you’re looking for insurance, either because you’re losing your current coverage, already have forced-place insurance, or can’t find any takers for an upcoming purchase, consumer groups have a list of suggestions.

Near the top of the list: Don’t panic, and start shopping right away. If your insurer is not going to renew your policy, they are required to give 75 days notice in California and 120 days notice in Florida.

When you’re looking, use an independent insurance agent who works with multiple companies as opposed to a so-called captive agent who represents just one insurer, said Amy Bach, executive director of United Policyholders. And if you can’t get coverage from a well-known brand, don’t go with a lesser-

known alternative until you've researched online how rating companies assess its financial strength. Here's a guide.

If you're losing current coverage, you can also try to get the insurer to reverse its decision. If you lost your home in a declared disaster within the past two years, California insurance regulations give you the right to two renewals, according to United Policyholders. There are also moratoriums on nonrenewals in zip codes adjacent to recent wildfires.

If worse comes to worse, any Californian can get a FAIR plan, and in Florida, Citizens Property Insurance Corp. is a state-run insurer for homeowners who can't find private insurance.

Even if you don't have insurance issues right now, getting price quotes a couple of months before your policy renews is a good idea, just in case something happens, according to Douglas Heller, director of insurance at the Consumer Federation of America. The California Department of Insurance has an online tool to compare policies.

"In California, I don't expect people to be losing their current coverage, but I am recognizing that things are less stable than they had been in years past," Heller said.

Some insurers that have retreated from California or Florida said these business decisions were necessary in order to continue doing what they do — cover losses. The backdrop to those decisions is different for each state, however. Trade groups in Florida say it's exaggerated and falsified claims (often by third parties like contractors) that's made the business unprofitable, while those in California say insurers aren't allowed to charge what they need to.

Bach of San Francisco-based United Policyholders is still hopeful about the prospects for California homeowners, though it's possible lenders or government-sponsored entities will need to create new options, she said.

"We remain confident that insurers want to do business here in California, and we know that some of what's happening is being driven by a political agenda related to their rate increase applications," she said. "But there is the possibility that their reduced appetite will be a long-term phenomenon."