

# What to do if you can't get insurance in California

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While plenty of Californians will tell you there's nowhere they'd rather live, many will also tell you they're fed up with trying to get affordable home and auto insurance. Still, homeowners insurance is not optional if a house is mortgaged, and all California drivers must have liability coverage if they plan to get behind the wheel.

Learn more about what to do if you can't get home or auto insurance in California and why getting coverage can be so challenging in the Golden State.

## **What to do if you can't get home insurance in California**

If you're unable to secure a home insurance policy, first, try using the California Department of Insurance website's homeowners insurance search tool to find companies, agents and brokers offering coverage in your area. Your best option may be to work with an insurance broker. Brokers can shop with multiple companies on your behalf to help you find the best combination of coverage and price.

If that doesn't help, consider the following options.

### **Look into FAIR plan coverage**

If a broker finds that no private insurer will offer you a homeowners insurance policy, then you may become eligible for the Fair Access to Insurance Requirements (FAIR) plan. A basic FAIR plan only covers losses to your house's structure from fire and lightning, internal explosion and smoke. Even after adding the plan's optional coverage, it still offers far less protection than a basic, traditional homeowners policy (what the industry calls HO-3 coverage).

FAIR plans also don't provide loss-of-use coverage that pays for temporary housing and associated expenses if you can't live in your house after a fire.

To get coverage comparable to what you would get in the private market, you'll need to supplement your FAIR plan policy with a difference in conditions policy. These policies are available from about 20 admitted carriers and cover perils typically covered by regular home insurance policies, like windstorms, burst pipes, theft and personal liability.

## **Consider a non-admitted carrier**

Alternatively, you can purchase homeowners insurance from a non-admitted carrier.

These insurers don't have to follow all the consumer protection laws that the state requires of admitted carriers, explained Amy Bach, executive director of consumer advocacy group United Policyholders.

When you get a policy from a non-admitted carrier, state regulators have not reviewed or approved rates to make sure they're not excessive, nor have they ensured that policy language protects consumers. Further, if the insurer becomes insolvent and you have an outstanding claim, California's insurance safety net, California Insurance Guarantee Association (CIGA), will not step in and cover your claim.

## **How to choose**

Getting coverage from a non-admitted carrier might sound like a terrible idea, but it's not necessarily as risky as it seems. Non-admitted carriers are usually licensed in a different state or country, which means they do meet that jurisdiction's regulatory requirements.

"FAIR plan customer service is notoriously slow and often subpar," Bach said. Getting insured by a non-admitted carrier may result in "better coverage and faster, better claim processing and payouts."

If you're considering a non-admitted carrier, look for well-established companies with strong financial strength ratings. The California Insurance Department's website also maintains a list of approved surplus lines insurers, though Bach said the list is not completely up to date.

## What to do if you can't get auto insurance in California

If you can't afford standard auto insurance in California, you may be eligible for coverage through the California Low Cost Auto (CLCA) Insurance Program. CLCA policies are more affordable but have lower limits and only include liability coverage, though you can get uninsured motorist coverage for an additional fee. The policy does not have collision or comprehensive insurance. However, foregoing collision and comprehensive coverage may not be an option if you have an auto loan and your lender requires you to carry full coverage.

To be eligible for the CLCA program you must:

- Be of legal driving age.
- Have a valid California driver's license.
- Be a new driver or have a good driving record.
- Own a vehicle worth no more than \$25,000.
- Meet income guidelines based on household size. For example, in 2024, a two-person household could be eligible with a maximum annual income of \$51,100.
- Be legally emancipated if under the age of 18.

CLCA premiums are based on the county you live in. For example, they're higher in Los Angeles than in San Luis Obispo. Premiums are also based on your age, marital status and whether you've been licensed continuously for at least three years.

If you don't qualify for a CLCA policy but auto insurance premiums in the regular market seem too expensive, Bach recommended shopping around, taking a safe driving course and making installment payments to get premiums within your budget.

Even if insurers have classified you as a high-risk driver, annual premiums for the same amount of coverage can differ by hundreds of dollars among companies. Shopping around and getting multiple [car insurance quotes](#) to save money is a better choice than reducing coverage or going without. You can also find sample rates for home and auto policies at the California Department of Insurance website.

## What to do if your insurance lapses

If your homeowners or auto insurance lapses, it's imperative that you replace it as soon as possible. Should you discover a policy lapse, call your insurer immediately and ask if they will reinstate you. Be prepared to pay on the spot.

If the company won't work with you, consider working with an insurance broker or independent agent who can shop the market and help you find a new policy. Since a lapse in auto coverage often leads to higher premiums, getting several car insurance quotes will be extra important.

It may also help to know and assert your rights. By law, your car insurance company must provide at least 75 days notice of nonrenewals. If your policy is canceled because you haven't paid your premium, they must give at least at least 10 days notice.

## What happens if your insurance lapses?

Going without insurance exposes you to serious liability risks. If you get sued for causing an car accident or because someone gets injured on your property, you won't have an insurance company's legal team to defend you, nor will you have the coverage to pay the plaintiff if you lose. And if you have a personal liability umbrella policy, remember that it requires underlying home and auto coverage. Driving uninsured also puts you at risk of being cited, fined and losing your license.

"Since home insurance is typically paid through an escrow account, it is rare to have a lapse in coverage because the renewal premium bill wasn't paid," said Mark Friedlander, spokesman for the Insurance Information Institute. "However, it could unintentionally happen if you switched lenders." It could also happen if your lender fails to pay your premium, or if you pay your premiums directly but forget or otherwise don't make the payment.

Cost is the biggest reason why consumers drop home and auto insurance coverage, according to Friedlander. Only homeowners without a mortgage have this option, however. Mortgaged homeowners must carry insurance. Many pay their insurance premiums to their lender, who then remits it to the insurer.

## Why is it hard to get insurance in California?

Consecutive years of catastrophic losses paired with high inflation and restrictive and outdated state regulations have created a challenging situation for Californians residents and insurers. As insurance companies seek to mitigate risks and financial losses, Californian homeowners and drivers face a range of issues, including policy cancellations, premium increases and fewer insurers to choose from.

### Home insurance

It's hard to get homeowners insurance in California for two main reasons.

First, property and casualty insurance companies — the type that sell homeowners and auto insurance — have experienced numerous catastrophic losses over the last several years due to natural disasters. Even the financial fallout associated with events outside the state, like 2022's Hurricane Ian, can affect California policyholders since insurers provide coverage in multiple states or nationwide.

Second, insurers say they are legally barred from charging premiums that reflect the true level of risk to which they're exposed. California law has long required insurers to price coverage based on past risks. Insurers say that with the increasing frequency and severity of wildfires, and the associated financial toll, they need to be able to set rates based on newer, more sophisticated, forward-looking risk models.

Major carriers including State Farm and Allstate stopped writing new policies in California. State Farm has non-renewed tens of thousands of existing policies. Farmers has limited new policies and nonrenewed 100,000 policies in the state, including home and auto. USAA, Travelers and Nationwide have also limited new policies.

Wildfires aren't the only reason insurers are dropping customers. They're doing it to reduce exposure in neighborhoods where they have a disproportionate number of policies, to reduce exposure to older homes and respond to alleged roofing problems spotted by satellite or drone images.

The current crisis has been on the horizon for years. California Insurance Commissioner Ricardo Lara has been implementing changes that he says are designed to protect consumers while accommodating

insurers' requests so they will start writing policies in the state again and consumers will have more options.

## **Auto insurance**

California is the nation's largest auto insurance market, but that doesn't mean it's a strong one for insurers or drivers. Some drivers are facing waits to get coverage in an era where insurers commonly issue policies that are effective upon application and payment. Insurers struggle with premium constraints that don't bode well for profitability.

State regulations have also left insurers reluctant to sell auto policies in California. California law requires a 20% premium discount for good drivers who have been licensed for at least three years. Requirements also state that, in addition to driving records, insurers must base auto premiums on annual mileage and years of experience.

Requirements are less restrictive in other states, so from an insurer's perspective, California is difficult to do business in.

The issue was further exacerbated by the pandemic, which caused drivers to drastically reduce their mileage. Admitted California insurers had to issue partial refunds — a boon for drivers, but another financial blow to insurers. Then, for most of 2022, insurers were prohibited from making premium increases. That year, California insurers experienced a loss ratio of 79% for private passenger auto liability. In 2021, the loss ratio was 62%.

Nationwide, auto insurers have been paying larger and more frequent claims. Technology and inflation have made vehicles more expensive, and drivers have been having more accidents. Natural disasters cause vehicle losses, too. Insurers have secured double-digit premium increases in many states — including California — but these increases have not kept pace with losses.