

Wildfire insurance crisis leads commissioner to call for first-ever statewide non-renewal moratorium

The Union

Insurance Commissioner Ricardo Lara on Thursday issued a mandatory one-year moratorium on insurance companies non-renewing policyholders — helping at least 800,000 homes in wildfire disaster areas in Northern and Southern California, a news release states, but Nevada County residents will not be impacted by the policy change.

The one-year moratorium only includes customers living in a state-proclaimed disaster area.

“We’re not a disaster area,” explained Ryan Harris, senior underwriter for Harris Insurance Services. Disaster areas only include the spaces that have had large wildfires within recent years, which include places like Paradise.

The commissioner’s action is the result of Senate Bill 824 — authored last year by Lara while serving as state senator — in order to give temporary relief from non-renewals to residents living near a declared wildfire disaster. This is the first time the department has invoked the new law, which took effect in January.

Because the homeowner insurance crisis extends beyond the wildfire perimeters and impacts residents statewide, Lara went a step further and called on insurance companies to voluntarily cease all non-renewals related to wildfire risk statewide until December 5, 2020, in the wake of Gov. Gavin Newsom’s declaration of statewide emergency due to fires and extreme weather conditions. A statewide moratorium would provide all California homeowners, renters, and businesses peace of mind, and allow time for stakeholders to come together to work on lasting solutions, help reduce wildfire risk, and stabilize the insurance market.

“This wildfire insurance crisis has been years in the making, but it is an emergency we must deal with now if we are going to keep the California dream of home ownership from becoming the California

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Source:

<https://uphelp.org/wildfire-insurance-crisis-leads-commissioner-to-call-for-first-ever-statewide-non-renewal-moratorium/> Date: December 10, 2023

nightmare, as an increasing number of homeowners struggle to find coverage,” said Lara. “I am calling on insurance companies to push the pause button on issuing non-renewals for one year to give breathing room to communities and homeowners while they adapt and mitigate risks, give the Legislature time to work on additional lasting solutions, and allow California’s insurance market to stabilize.”

Lara announced the action at a home in Oakland alongside local leaders from affected areas and consumer advocates, following months of meetings across the state with county officials, community leaders, and more than 2,000 homeowners who have been non-renewed and struggled to find new coverage.

“As communities across California continue to recover from wildfires and natural disasters, insurance companies are critical partners in helping our communities rise up,” said Sonoma County Supervisor James Gore, who serves as second vice president of the California State Association of Counties. “The inability to obtain insurance after disaster strikes impacts home values and tax revenues for emergency services that help ensure the integrity of California communities. On behalf of Sonoma County and every county statewide navigating the rebuilding and recovery process, we call on our insurance partners to help us move toward a more resilient future.”

Moratorium

The mandatory one-year moratorium covers more than 800,000 residential policies in ZIP Codes adjacent to recent wildfire disasters under the newly enacted Senate Bill 824 Lara, Chapter 616, Statutes of 2018), also known as the Wildfire Safety and Recovery Act. While existing law prevents non-renewals for those who suffer a total loss, the new law established protection for those living adjacent to a declared wildfire emergency who did not suffer a total loss—recognizing for the first time in law the disruption that non-renewals cause in communities following wildfire disasters.

“Home insurance is not a luxury — it’s a necessity. Yet for hundreds of thousands of Californians it’s become almost impossible to find and afford. This puts people between a rock and a hard place, and communities up and down the state are hurting,” said Amy Bach, Executive Director of United Policyholders. “At United Policyholders we are doing all we can to help consumers deal with this situation and we thank Commissioner Lara for authoring the moratorium bill and agreeing to take further action with a statewide voluntary moratorium.”

Following Newsom’s emergency declarations in October, the Department of Insurance partnered with Cal Fire and the Governor’s Office of Emergency Services to identify wildfire perimeters and adjacent ZIP codes within the mandatory moratorium area. Today’s bulletin includes seven of the 16 wildfires within

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state-declared emergency areas, and Cal Fire is working to identify perimeters for the remaining nine fires, which the Department of Insurance will announce in a separate bulletin.

Lara's action comes amid growing evidence that homeowner insurance has become more difficult for Californians to obtain from traditional markets, forcing them into more expensive, less comprehensive options such as the FAIR Plan that do not offer the same level of coverage or protections.

In August, the Department of Insurance released data revealing insurance companies are dropping an increasing number of residents in areas with high wildfire risk. The number of non-renewals rose by more than 10% last year in seven counties from San Diego to Sierra — a direct response to California's recent devastating wildfires. The number of consumers covered by the FAIR Plan — California's insurer of last resort — has surged in areas with high wildfire risk. According to the U.S. Forest Service, more than 3.6 million California households are located in the wildland urban interface where wildfires are most likely to occur.

Today's action builds on Lara's order last month to modernize the FAIR Plan and strengthen the insurance safety net. No later than June 1, the FAIR Plan will expand its coverage to offer a full homeowners policy in addition to its current limited fire-only policy. By April 1, the FAIR Plan will increase the Dwelling Fire combined policy limit from \$1.5 million to \$3 million, in recognition of higher home values. By February 1, the FAIR Plan will offer a monthly payment plan without fees and allow people to pay by credit card or electronic funds transfer without fees.

Source: California Department of Insurance

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