

With More Homeowners Getting Dropped, Here's What to Do if Your Property Insurance is Canceled

NBC Bay Area

As wildfire risk and losses continue, California sees rise in insurers dropping policyholders.

Catchy jingles and funny ads make insurance seem so simple. But it's not always simple.

Many Bay Area homeowners are learning firsthand that home insurance companies can suddenly drop you.

Insurance companies are saying there's too much fire risk to auto-renew everyone's policy. Our NBC Bay Area Responds team looked into why that is and pulled together four key steps to take if your policy is dropped.

Hell to Keep Insured

Phillip Parkerson's three bed, two bath home in Occidental sits on six and a half acres.

"So, very quiet, very serene, very peaceful," Parkerson explained.

Parkerson said he usually describes his family home in one word: "heaven."

But it's been hell keeping that home insured.

First, his family received a surprise cancellation letter from Liberty Mutual.

Parkerson said he recalled Liberty Mutual telling him, "You've got to find somebody else to insure you,

because we're not going to insure you any longer.'"

It was a shock.

Parkerson said he and his late husband had already worked to reduce their fire risk.

"We spent tens of thousands of dollars," Parkerson said, noting that his family trimmed trees, added defensible space, and even installed a fire-safe roof at this Sonoma County home.

And yet, the letter his family received from Liberty Mutual said the home "poses an unacceptable fire risk."

"The person I was speaking with literally told me, 'it doesn't matter what you've done. My computer tells me what zone you're in. And we can't give insurance because of your zone,'" Parkerson recalled.

We asked Liberty Mutual about Parkerson's policy. It said it "does not publicly comment" on people's policies.

Dropping Policies

Brand new state protections require insurance companies to consider work you've done to reduce fire risk, but only when setting your price, not when deciding to drop you.

"We don't like what is going on now, because it feels like people are really caught between a rock and a hard place," said Amy Bach, the executive director of United Policyholders.

United Policyholders is a nonprofit that helps homeowners who've been dropped by their insurers. The nonprofit has been busy. The latest available state data show more than 200,000 policies were dropped in 2020, and likely more were dropped in 2021 and 2022.

Why are property owners getting dropped?

"We're kind of at a tipping point in homeowners [insurance]," said Mark Setknan with the American Property Casualty Insurance Association.

Setknan says insurance companies are responding to more fire danger, claims and losses. That includes losses from the recent CZU, Glass and Caldor fires in California.

“We all know wildfires have changed dramatically in the past three years,” Setknan said.

At the same time, the insurance industry says the prices the state allows them to charge us are “historically inadequate.”

“The risk has changed dramatically, and unfortunately, the rates have not been able to keep up with that,” Setknan said.

Now, insurance companies say they are rebalancing their books, reducing their “risk portfolio” by dropping folks like Phillip Parkerson.

What is the long-term forecast?

“It feels like we’re headed toward government-provided property insurance,” said Amy Bach with United Policyholders.

There’s precedent for that.

Bach points to flooding in the 1960s.

“Insurance companies panicked and said, ‘we’re not going to insure floods anymore,’” Bach explained.

Then: the Northridge Earthquake in 1994.

““Oh, we’re not going to insure earthquakes anymore”” Bach paraphrased.

And then: terrorism in 2001.

After 9/11, Bach said insurance companies responded by saying, ““Oh, we’re not insuring terrorism risk anymore.””

Today, Uncle Sam sells terrorism and flood insurance, the state sells earthquake insurance. Is wildfire

insurance next?

“As a consumer advocate, do I like it? Not really. I like consumers to have choices,” Bach said.

What to do if your policy is non-renewed

For the moment, you might still have choices if you get dropped. Here are four steps to take:

Step 1: Take Immediate Action

“Don’t wait,” said Phillip Parkerson in Occidental.

Open all mail you get from insurance companies as soon as possible, because you’ll likely only get 75 days notice when they cancel you.

Step 2: Shop Around

Other companies might insure you.

“A lot of people are not used to shopping for insurance, so we encourage people to shop,” said Mark Setknan with the American Property Casualty Insurance Association.

If your search goes on for days or weeks, you should call back the company that dropped you. When their computer models get new data, they might change their mind.

“The situation keeps shifting,” Bach shared.

“One week you might call and get turned down by an insurance company, then you call the next week and they might offer you a policy.”

Step 3: Find Help

If you’re not finding insurance yourself, find help. Phillip Parkerson called an independent home insurance broker, who found him a policy at a lesser-known company.

“They were truly the last call I knew to make before I called the California Fair Plan,” Parkerson said.

Step 4: The “FAIR Plan,” the final fallback

The California FAIR Plan, essentially, is the state’s fire insurance pool of last resort. It takes in anyone the brand-name companies reject.

The number of people dumped into the FAIR Plan has almost doubled since 2018.

Amy Bach says the FAIR Plan is expensive and it only offers “basic fire coverage right now” — which means no coverage for things like downed trees, theft, burst pipes, or liability. So, you’ll likely end up buying two insurance policies: one for fire and one for everything else.

“The FAIR plan is not great, but it’s better than nothing,” Bach said.

United Policyholders offers coaching for people who suddenly have to shop for home insurance. Their website is <https://uphelp.org/>