



Tree Mortality Task Force Workshop

Insurance Availability and Affordability: Consumer Perspectives

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Natural Resources Building Auditorium
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About United Policyholders

- Not for profit 501(c)(3) organization
- Founded in 1991 to empower the insured through information, support resources and advocacy
- Respected voice and trusted source of technical guidance for insurance consumers nation wide
- Funded by donations and grants, (no insurer \$), fueled by volunteers

Three Programs

- Roadmap to Recovery
 - *Disaster recovery support services in partnership with faith-based and other NGOs, FEMA and the ARC*
- Roadmap to Preparedness
 - *Insurance buying tips and disaster preparedness tools and guidance*
- Advocacy and Action
 - *Advancing policyholders' interests in courts, legislatures, regulatory forums and the media*

Why we're here today:

- The trend of insurers using FireLine (and similar) to assign one number risk scores in place of trad'l underwriting, plus the drought and tree mortality situation have created an affordability/availability crisis.
- CDI is engaged, CalFire is engaged, UP is engaged, this Task Force is engaged...



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The CA marketplace for home insurance

- Other than flood and eq insurance, had been generally competitive and healthy
- Periodic and sustained regional crises in availability and affordability
 - Oakland/Berkeley 1992 forward
 - San Bernardino
 - Canyon areas in SoCal
 - Mendocino/Nor Cal brush areas

CA marketplace, cont'd

- Before ***risk scoring*** via aerial surveillance and data mining in place of underwriting, availability problems mostly solved thru indep. agents w/UP and CDI assistance. [See: Dropped by your insurer in CA? Where to go for help.](#)
- Unaffordability becoming more severe
- FAIR PLAN and non-admitted = last resort options but relatively expensive for what you get

(Reuters, 2015) “Yet data shows...

many homeowners who have been denied coverage by standard insurers are not flocking to the state plan, which is both more costly and far less comprehensive than traditional homeowners' policies. Rather, they are increasingly signing up for specialty policies provided by companies best known for insuring unusual risks such as major construction projects, kidnapping or rare art collections. Such policies are still expensive, but offer more coverage than the state plan.”

Why is this a problem?

- Non-admitted insurers aren't in CIGA.
- Their policy forms are not regulated.
- Not community-engaged like Farmers, CSAA, USAA, etc. have been

- “Allstate canceled Smith's \$1400-a-year homeowners policy in 2012, and Smith considers herself lucky that she was able to find a \$2100 policy with Lexington Insurance, the specialty insurance arm of AIG.”

- Erin Ryan, principal consultant for the state's Senate Insurance Committee. "If we see substantial growth in the surplus lines market then there is something wrong. It's meant to be for unusual situations and unusual risk. Not for your basic homeowners insurance."

Now:

- Large-scale non renewal patterns in an increasing number of counties
- Citizens, firefighters, public officials getting dropped, reporting steep price increases
- Captive agents reporting severe problems placing clients
- Mitigation expenditures and efforts not being rewarded

FireLine/Risk Scoring

- The homeowner has no say in their assigned score and cannot change it.
- Score does not appear to include ignition probability data or climate/weather data.
- Does not appear to take mitigation or local fire fighting resources into account.
- Seems arbitrary and inconsistently applied (2 neighbors, similar homes, different scores)

“Keep FireLine Scores Under Control” (Mountain News, 2016)

- “Reports of the FireLine Score, trademarked and presented by the Insurance Services Office, Inc. (ISO), have surfaced...ISO has been courting the insurance industry...providing actuarial and analytical data about wildfire and other risks to homes and businesses. The result has been increased insurance premiums for some...One homeowner reported that her annual premium increased from \$1,800 to \$6,100.”

Scaring High Insurance Premiums Out of Us

- “Scare tactics used to be simply a marketing technique. Now it’s big business. And one of those businesses is busy scaring everybody: their clients and their clients’ customers. They’re the people who brought you the copyrighted “FireLine Score” that you might have learned about if you noticed the page one headline in last week’s Mountain News: “Home Insurance Could Triple.” Mountain News Editorial by Hon. Obernalte (R) Big Bear Lake, 2016

Rock and a hard place:

- Lenders require insurance
- Want to have a financial safety net
- Options shrinking/disappearing
- Limited resources to pay for mitigation
- Unclear whether expenditures pencil out
- “I’ve done everything insurer asked and still got non-renewed” common refrain

Consumer voices:

- The Stoffan's NorCal home survived the 2008 Telegraph fire, planted a 50 foot lawn buffer and fire-resistant landscaping, yet their insurance doubled to \$5,100
- Mollie J. (retired nurse in SD Cty) cleared 150 feet around home and keeps 5,000 gallons of water avail., insurance still went from \$700 in 2012 to \$1,900

Consumer voices:

- El Dorado fire captain Scott Holman: 2014 premium with Allied was \$680. Renewal \$4,850. Switched to Hartford, \$1,850 but had to bundle auto (so leave USAA) and install an expensive alarm system to get that price. “Alarm system makes no sense – by the time it goes off house will be gone. Then 2 years later, Hartford non renewed us, we’re now paying \$3,200”

Single score impact

- Facilitating red-lining
 - Zip code at issue in pending rate filing
- Makes it easier for insurers to avoid and/or surcharge moderate and low value property owners that aren't their target customers anyway
- Decreasing competition
- Destabilizing the marketplace

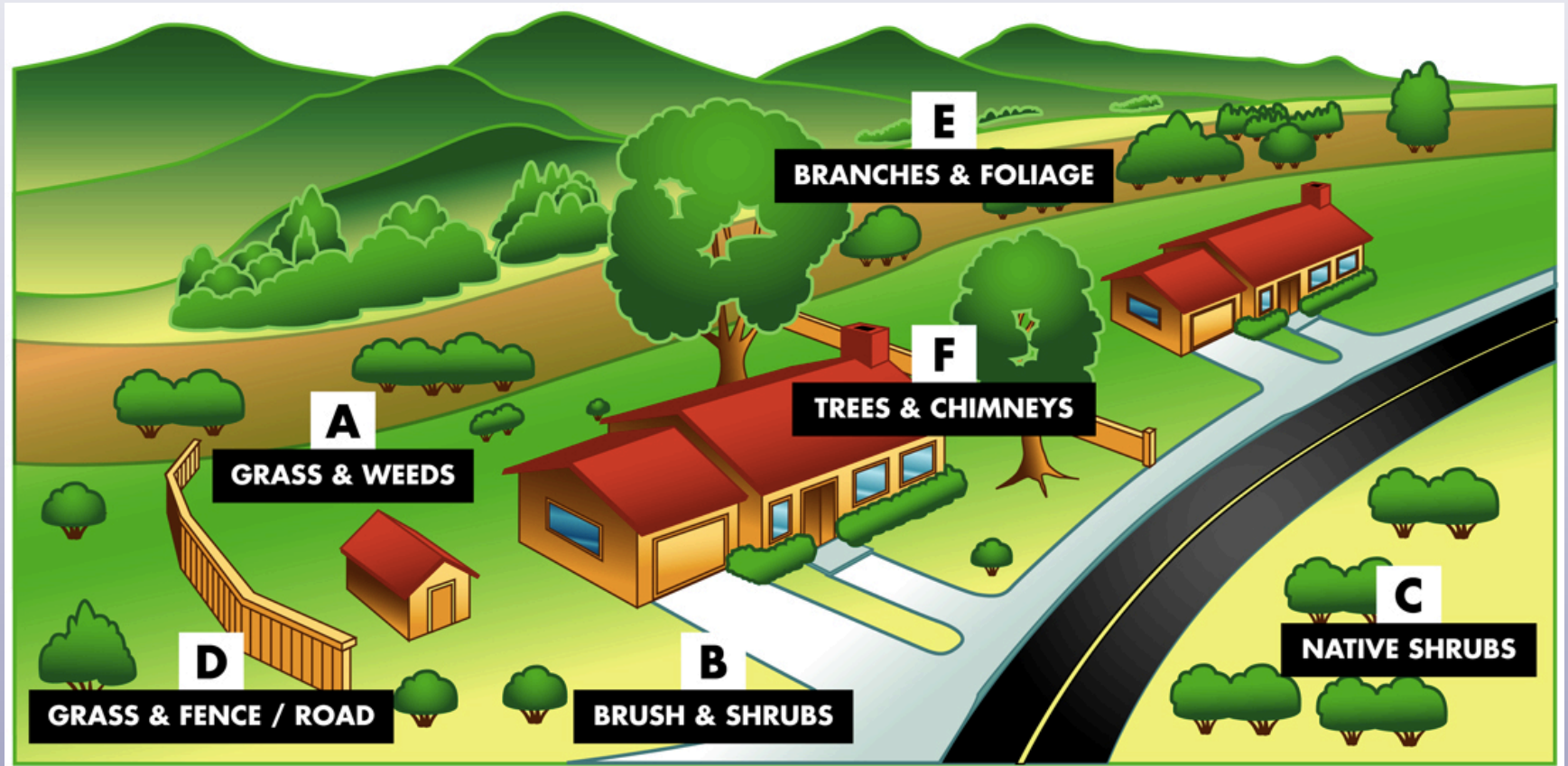
Fire fighting professionals:

- Want to promote best practices for brush clearance and hardening homes.
- Want to help and protect their communities.
- Have limited resources to “certify” clearance or intervene with insurers.

Insurers, agents, fire fighting agencies, UP, FSCs and public officials can coordinate to:

- Promote, assist and reward mitigation
- Preserve real estate values and tax base
- Help households meet lender obligations and maintain financial safety nets

<http://www.lafd.org/fire-prevention/brush/clearance-requirements>



The CA legislature/CDI can:

- Enact legislation to compel insurance discounts (just as SC, FL, AL, MS have)
- Prevent risk scoring models like FireLine from being the **sole** underwriting/rating criteria

Legislative options, cont'd:

- Enact legislation to extend Ins. Code § 675.1(c) [one renewal right post-wildfire] to entire community
- Extend cancellation limitations to non-renewals similar to Pennsylvania law

More media coverage:

- “This is how a California wildfire can change your homeowners insurance rate”, San Gabriel Valley News, Aug. 18, 2016
- “Fire insurance sticker shock” Alpenhorn News, May, 21, 2015
- “Homeowners in high fire-risk areas are upset over soaring insurance rates” LA Times Business section, Sept.9, 2015

UP thanks and acknowledges:

- The UP WUI Task Force
- The CA Department of Insurance
- CA State Senate Insurance Committee
- The Diablo, Oakland and Mendocino Fire Safe Councils
- Scott Holman, Firefighter, El Dorado County
- Insurance agencies in Lake, Napa and San Bernardino counties

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For More Information:

- Visit UP's website and search for more buying tips, claim tips, articles and helpful info at:

www.uphelp.org

The screenshot shows the United Policyholders website homepage. At the top left is the logo with the tagline "Empowering the Insured". A search bar is in the top right. A navigation bar contains links for "About UP", "Our Programs", "Latest News", "Library", "Find Help", and "Support Us". The main heading is "How can we help you?" followed by a brief description of the organization's mission. Below this is a "Loss Recovery" section with a list of links and a photo of a damaged car. The page is divided into three columns: "Latest News" with a list of recent articles, "How To" Library with a list of publications, and "Disaster Recovery Help" with a list of disaster-related resources. On the right side, there are buttons for "Claim Help" and "Underinsurance Help", a "Read UP's Tip of the Month" section, and a "Read more tips" link. At the bottom right, there is a "Keep up with UP" section with a Facebook link and a "Donate Today" button. A footer at the very bottom contains legal disclaimers and contact information.