Webinars for Cities

Dec. 18, 2023

LEAGUE OF CALIFORNIA CITIES

Strengthening California Cities through Advocacy and Education

Understanding California's Fire Insurance Crisis

Moderator: Jolena Voorhis, Legislative Representative, League of California Cities

Presenters: Amy Bach, Executive Director, United Policyholders
Julia Juarez, Deputy Commissioner, Community Relations and Outreach, California Department of Insurance

Housekeeping Notes

- This session is being recorded.
- Attendees are muted.
- Question and Answer is available throughout the webinar.
- To write in a question, select the Q&A button on your tool bar.
- Following the presentation, the recording and slides will be shared with registrants.

Upcoming Cal Cities Conferences

January 2024

- **Mayors and Council Members Academy**

  Jan. 24-26

February 2024

- **City Managers Conference**

  Feb. 7-9

March 2024

- **Planning Commissioners Academy**

  Mar. 6-8

- **Public Works Officers Institute**

  Mar. 13-15

April 2024

- **City Leaders Summit**

  April 17-29

May 2024

- **City Attorneys Spring Conference**

  May 8-10

Please visit the Cal Cities Education and Events Calendar for more conference info and registration.

California Department of Insurance

Julia Juarez
Deputy Commissioner
Community Relations and Outreach Branch

The Insurance Market

- Inflation is creating unprecedented financial stress to insurance markets.
- Increased costs of rebuilding, supplies, materials, auto parts along with labor shortages, among other costs, are affecting insurance markets.
- Reinsurance is harder to find and is costlier as catastrophes grow around the world.
- As risk grows, insurance markets are contracting to protect solvency, meet financial obligations and regulatory mandates.

Natural disasters & global inflation have increased insured losses and costs worldwide like never before.

California Context

Top 12 Companies =
85% of State's Homeowners Market

The property insurance market in the country (specifically in large states like California) is changing quickly.

Since 2022 alone — 7 of top 12 insurance companies have paused or restricted new business despite rate increases approved or pending with Department of Insurance.

California Context

Insurance Group and Ranking (2022)	Market Share	2023 Rate Increases (Pending & Approved)	Major Action Since 2022
1. State Farm	21.22%	28.1%	Paused new policies
2. Farmers (10 companies)	14.9%	17.7%, 12.5%	Limited new policies to 7,000 per month
3. CSAA (2 companies)	6.9%	18.55% (approved 2021)	
4. Liberty Mutual (6 companies)	6.6%	29%, 10.6%	
5. Mercury	6%	12.6%, 7%	
6. Allstate (5 companies)	6%	39.6%	Paused new policies
7. USAA (4 companies)	5.7%	30.6%, 16.5%, 6.9%, 3%	Restricted underwriting to low-risk only
8. Auto Club	5.1%	20%	
9. Travelers	4.2%	21.7%	Limited new policies
10. American Family (3 companies)	2.8%	22.7%, 6.9%, 6.9%	
11. Nationwide (2 companies)	2.5%	19.9%, 24.5%	Limited new policies
12. Chubb (8 companies)	2.2%		Ceased writing high-value homes with higher wildfire risk, and non-renewed some high-value homes

California Context

Over past 10 years, homeowners insurance companies have done far worse in California than nationally.

Direct incurred loss ratio (2012-2021)
- Countrywide: 59.7%
- California: 73.9%

Direct underwriting profit
- Countrywide: 3.6%
- California: -13.1%

Direct profit on insurance transactions:
- Countrywide: 4.2%
- California: -6.1%

Direct return on net worth:
- Countrywide: 7%
- California: 0.8%

Source: NAIC Profitability Report (released January 2023)

How did we get here?

- FAIR Plan has increased to 3% of CA market – becoming the insurer of first resort, not last resort, for many.
- AM Best downgraded outlooks for Top-12 companies like State Farm, AAA, Mercury due to risk concentration in California.
- Insurance companies will not write in high-risk areas, unless they can cover 100% of consumer claims, their expenses, and earn a fair return.
- Rate filings are more complex and can take longer than 6 months to review.
- One entity can unreasonably prolong rate filings – no other state has this.

Safer From Wildfires

Protect your home or business

+

Protect the immediate surroundings

+

Protect the whole community

Protect your **home or business**

- Class A fire-rated roof
- 5-foot ember-resistant zone around the structure
- Noncombustible 6 inches at the bottom of walls
- Ember- and fire-resistant vents
- Double pane windows or added shutters
- Enclosed eaves

Protect the immediate surroundings

- Cleared vegetation and debris from under decks
- Move sheds and outbuildings at least 30 feet away
- Trim trees and remove brush in compliance with state and local defensible space laws

Protect the whole community

- Neighborhoods can form a Firewise USA community
- Cities, counties, and local districts can become certified as a Fire Risk Reduction Community

CA FAIR Plan & Wildfire Risk Score

- CA FAIR Plan offering insurance discounts in compliance with Safer from Wildfires Regulation
- CA FAIR Plan offering $20 million coverage per location for commercial policies, including HOAs
- The Wildfire Risk Score regulations allow consumers to request and appeal your property risk score

Major Actions to Tackle Climate Change

- Created first "Climate and Sustainability Branch" in country.
- Established "Climate Insurance Working Group" generating CA's first-ever Climate Insurance Report.
- Partnered with United Nations to launch "CA's Sustainable Insurance Roadmap".

Modernizing Our Insurance Market:

Accessible Insurance for Californians

+

Create a Resilient Insurance Market

+

Protect Communities from Climate Change

RICARDO **LARA**
INSURANCE COMMISSIONER
California Department of Insurance

California Sustainable Insurance Strategy

- **Insurance Availability in At-Risk Areas** — Requiring insurance companies to write no less than 85% of homes and businesses in distressed areas identified by Insurance Commissioner.
- **Returning FAIR Plan Policyholders to Market** — With first priority given to homes and businesses following "Safer from Wildfires" regulation.
- **Cat Models/Mitigation** — New models will recognize mitigation and hardening requirements to appropriately price rates and discount benefits; presently not available in current rate making process today.
- **California-only reinsurance costs** — Protecting consumers from paying for other global catastrophes.
- **Modernizing FAIR Plan** — Expanding commercial coverage limits to $20 million *per structure* closes coverage gaps for HOAs, affordable housing, and infill developments.

The largest insurance reform since voters passed Proposition 103 in 1988 —

informed by thousands of CONSUMERS in every county.

- Commissioner Lara and Department of Insurance Outreach Teams have met with more than **122,000 consumers** in person and virtually since 2019.
- More than **2000 meetings, town halls, and events** in all **58 counties** of the state.

Questions?
1-800-927-4357
insurance.ca.gov

United Policyholders™
Roadmap to Preparedness Program

Understanding California’s Fire Insurance Crisis

League of California Cities Webinar

December 18, 2023

About United Policyholders

- In business since 1991 as a consumer advocacy non-profit that helps people with insurance matters
- Three main programs, various initiatives (WRAP, RISC)
- Trustworthy, plain language info
- Working hard to help people keep their homes insured during the current crisis
- UP Roadmap to Recovery program provides free guidance on insurance, replacing, rebuilding and navigating the recovery process after a partial or total catastrophic loss

Amy Bach, UP Executive Director

- Co-founder, United Policyholders,
- Leading the Roadmap to Recovery®, Roadmap to Preparedness and Advocacy and Action programs since 1995
- A professional insurance consumer advocate since 1984
- Official Consumer Representative, National Association of Insurance Commissioners
- Member, Federal Advisory Committee on Insurance (US Treasury)
- Architect of the UP WRAP initiative

Help us continue to monitor and contribute to solving CA's property insurance crisis!

Please disseminate our…

www.uphelp.org/CAhomeSurvey

The data collected will help us help you.

THANK YOU!!!

The Lingo

Dropped/Nonrenewed: Your insurance company no longer wants to insure your home when the current contract expires (usually a one year term).

Cancelled: Your insurance company can cancel your insurance if you do not pay your insurance bills or your home is in very poor condition.

Difference in Conditions (“DIC”) Insurance that can fill gaps in a CA Fair Plan policy.

Admitted/Non-Admitted: Two kinds of insurers. Fully or Lightly regulated, CIGA/not

CA Guarantee Assn. (CIGA): Pays claims of admitted insurers that run out of money.

Protection Class: 10 categories insurers use to evaluate your city/town. Considers fire department, water supply, alarm/communication systems.

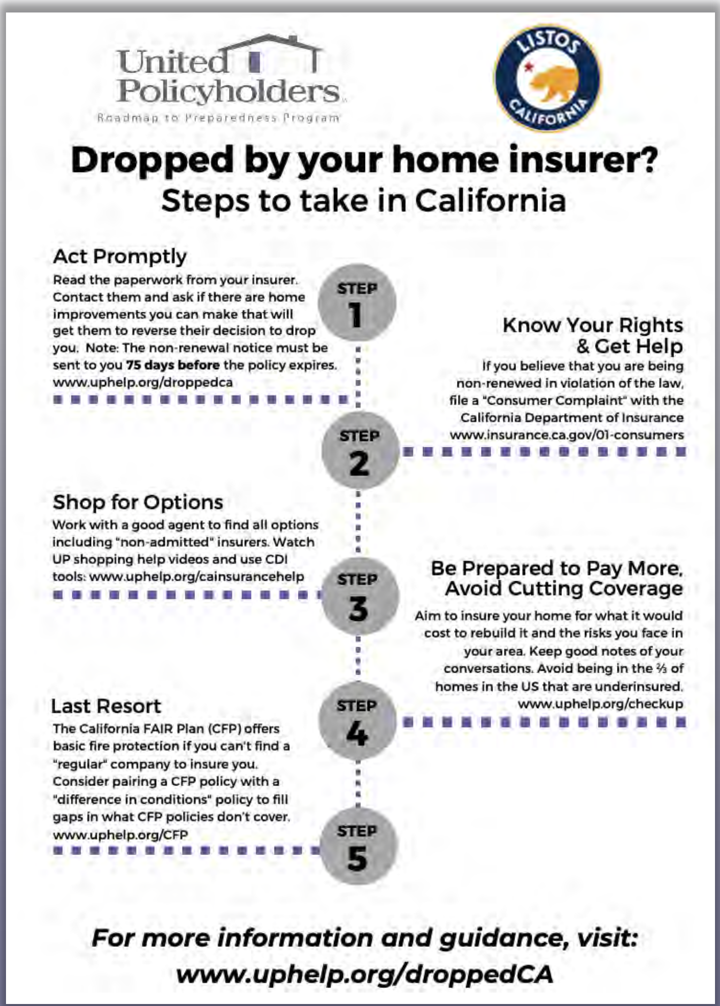
Risk Score: A number assigned to your home’s wildfire risk level by a modeling system produced by a private company, generally not an insurer.

What are the current rules?

- Insurer must give 75 days notice before non-renewing
- Depending on zip code, there are currently few to no options other than the CA Fair Plan
- CA Fair Plan must "take all comers" (w/a few exceptions) and give a discount of up to 15% to those who meet Safer From Wildfires standard
- Insurer must tell you your Risk Score, provide an appeal
- Insurance pricing must be prior approved, not excessive or unfairly discriminatory, some mitigation discounts are available, others pending
- "Sustainable Insurance Strategy" is in process, not implemented. Insurers, DOI and some stakeholders remain at loggerheads.

Dropped by your Insurer?

- Start shopping right away
- Talk to neighbors and friends, shop on your own AND get help from a professional agent/broker
- Use UP's resources https://tinyurl.com/2p8r2k27
- Ask good questions, keep good notes
- If the Fair Plan is your only option, aim for add-ons if affordable



United Policyholders
Roadmap to Preparedness Program

LISTOS CALIFORNIA

Dropped by your home insurer?
Steps to take in California

STEP 1 — Act Promptly
Read the paperwork from your insurer. Contact them and ask if there are home improvements you can make that will get them to reverse their decision to drop you. Note: The non-renewal notice must be sent to you **75 days before** the policy expires. www.uphelp.org/droppedca

STEP 2 — Know Your Rights & Get Help
If you believe that you are being non-renewed in violation of the law, file a "Consumer Complaint" with the California Department of Insurance www.insurance.ca.gov/01-consumers

STEP 3 — Shop for Options
Work with a good agent to find all options including "non-admitted" insurers. Watch UP shopping help videos and use CDI tools: www.uphelp.org/cainsurancehelp

STEP 4 — Be Prepared to Pay More, Avoid Cutting Coverage
Aim to insure your home for what it would cost to rebuild it and the risks you face in your area. Keep good notes of your conversations. Avoid being in the ⅔ of homes in the US that are underinsured. www.uphelp.org/checkup

STEP 5 — Last Resort
The California FAIR Plan (CFP) offers basic fire protection if you can't find a "regular" company to insure you. Consider pairing a CFP policy with a "difference in conditions" policy to fill gaps in what CFP policies don't cover. www.uphelp.org/CFP

For more information and guidance, visit: www.uphelp.org/droppedCA

Why did you get non-renewed?

- Did the non-renewal notice give a reason?
- Were you given the chance to make home improvements in return for a renewal?
- Property condition issues (inspection revealed…)
- Insurer not insuring homes in your area
- Risk Score
  - – Fuels, Access, Slope

In some cases, a non-renewal can get reversed, but these days…rarely

Risk Scores are a big deal

- Numerical label on the household
- Replacing human judgement
- Early stages of transparency/consumer access and appeal process
- Very impactful re: availability and affordability
- DOI instituted disclosure reg and appeal process

Where can you turn for help?

- Independent agent/broker (access to multiple insurers)
- Captive agent (access to one insurer, possibly more)
- CA Dept. of Insurance www.insurance.ca.gov, 1800 927-HELP
- Shop online
- The California Fair Plan www.cfpnet.com

How UP is helping:

- Helping people navigate the crisis and keep their assets protected
- Monitoring the marketplace through an online survey
- Advocating to restore affordable, available property insurance, adequate coverage, mitigation discounts and renewals
- Working with the CA Dept. of Insurance, agent/broker volunteers, firefighting agencies, Fire Safe/Firewise, IBHS, scientists, insurers.
- Hosting an online mitigation help center www.uphelp.org/WRAP
- Hosting/convening WRAP Working Group monthly meetings w.stakeholders across CA to increase home hardening, defensible space and community-wide risk reduction ASAP
- Dialoguing with insurers, encouraging them to recognize the value of wildfire risk reduction and resume insuring condos and homes in WUI and suburban regions.

4 main types of ins. co

- Admitted/licensed
- Non-admitted/licensed
- Gov’t sponsored (CA Fair Plan, CEA)
- Forced/Lender-placed

@ www.uphelp.org : Understanding different types of insurance companies

Admitted/licensed
Covered by the CA Insolvency Protection Fund

CA Fair Plan, Travelers, Safeco, The Hartford, USAA, CSAA, American Modern, American Family, Nationwide, Mercury, Progressive, Aegis

VISIT: https://interactive.web.insurance.ca.gov/apex_extprd/f?p=400:50

Farmers Restricted

State Farm Restricted

Allstate Restricted

Nationwide Restricted

Does CIGA matter?

Examples of “Non-admitted”/Surplus insurance companies

Atain - 3M max coverages combined. 10% ERC, pricey

BigFoot – Very picky Broker/MGA

Lexington - will write under certain conditions (150-200ft brush clearance, road width, etc) 30% wildfire deductible

Heritage - An option, conservative on ITV and pricey

Acceptance Casualty/Occidental

KW Specialty

First Capital

Northlight (Allstate)

Resources for checking on the financial strength of a brand you’ve never heard of

consumers.ambest.com

Register (free), Search

OR, call 1(800) 424-2378 M-F 8:30-4:30 EST

List of Approved Surplus Line Insurers (LASLI)

www.insurance.ca.gov

https://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm

Installment payments

May not be an option for new policies, may be an option for renewals post 6 months

Not an option with non-admitteds

Some brokers/agencies will help w/premiums financing for some clients

Status?

FAIR Plan coverage is very basic – can be enhanced

FAIR Plan

Dwelling Policy

+

Difference In Conditions Policy

=

Comprehensive Coverage

Fire
Internal Explosion
Windstorm

(Options if added)

Water Damage
Theft
Liability

CA Fair Plan Add-On Options

- Extended coverage for windstorm or hail, explosion, riot, vehicles
- Vandalism
- Add **Replacement Cost Coverage**
- **Contents:** you have to specifically add extended coverage and/or vandalism for contents
- Optional increase of **Fair Rental Value** (up to 20%)
- Optional Increase **Code Upgrade Coverage** (up to 10%)
- Optional - add 5% for **Debris Removal** coverage
- Optional increase of **Other Structures** coverage

Tips to save money:

- Bundle your home and auto policies with one insurer
- Seek out a *pro-active* insurance agent/broker
- Do as much mitigation as you can
- Raise your deductible
  - While shopping ask for a quote with different levels of deductible: $1,000, $2,500, $5,000
  - A higher deductible will reduce your premium and you will be less likely to file a small claim
- Reduce/eliminate buckets of coverage you can live without (High dollar limits on contents, Other Structures)

Pending legislation

SECTION 1. Article 4 (commencing with Section 2090) is added to Chapter 2 of Part 1 of Division 2 of the Insurance Code, to read:

Article 4. Guarantee Issue for Wildfire Safe Homeowners

2090. (a) An admitted insurer that offers residential property insurance in this state shall not refuse to offer or sell residential property insurance to an applicant whose property meets the best practices for wildfire building hardening and property-level mitigation, as defined in Section 2644.9(d)(1)(B) of Title 10 of the California Code of Regulations.

(b) If Section 2644.9(d)(1)(B) of Title 10 of the California Code of Regulations is repealed, subdivision (a) shall be satisfied using best practices for wildfire building hardening and property-level mitigation as defined in Section 2644.9(d)(1)(B) of Title 10 of the California Code of Regulations at the time of repeal.

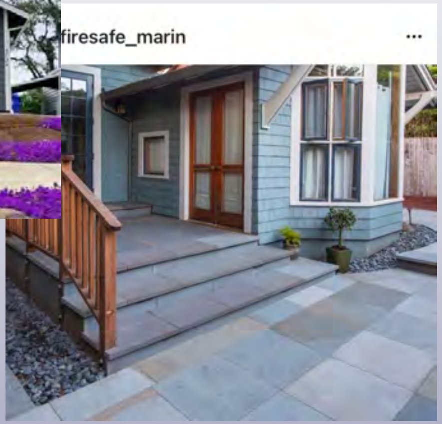
Risk reduction is imperative

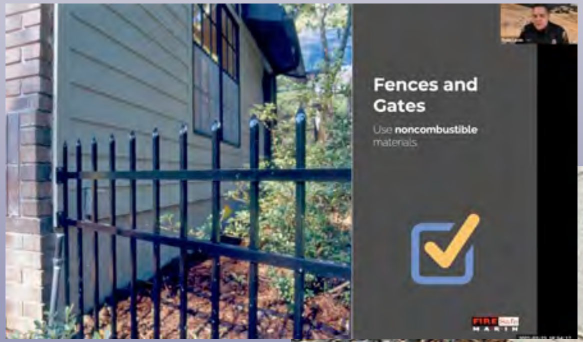
United Policyholders
www.uphelp.org

LISTOS CALIFORNIA

Improve Your Home's Chances of Surviving a Wildfire

- Have a Class A fire rated roof
- Install screens to keep embers out
- Gutters should be kept clear of leaves and needles
- Clear plants so there's 5 feet of space around your home
- Remove all combustible materials from under and near decks
- Prune branches near the home
- If wood fencing touches your home, replace at least 5 ft. of it with metal
- To get help with the above, visit the WRAP Resource Center: **www.uphelp.org/wrap**





Despite limited options and high prices, be prepared, not scared:

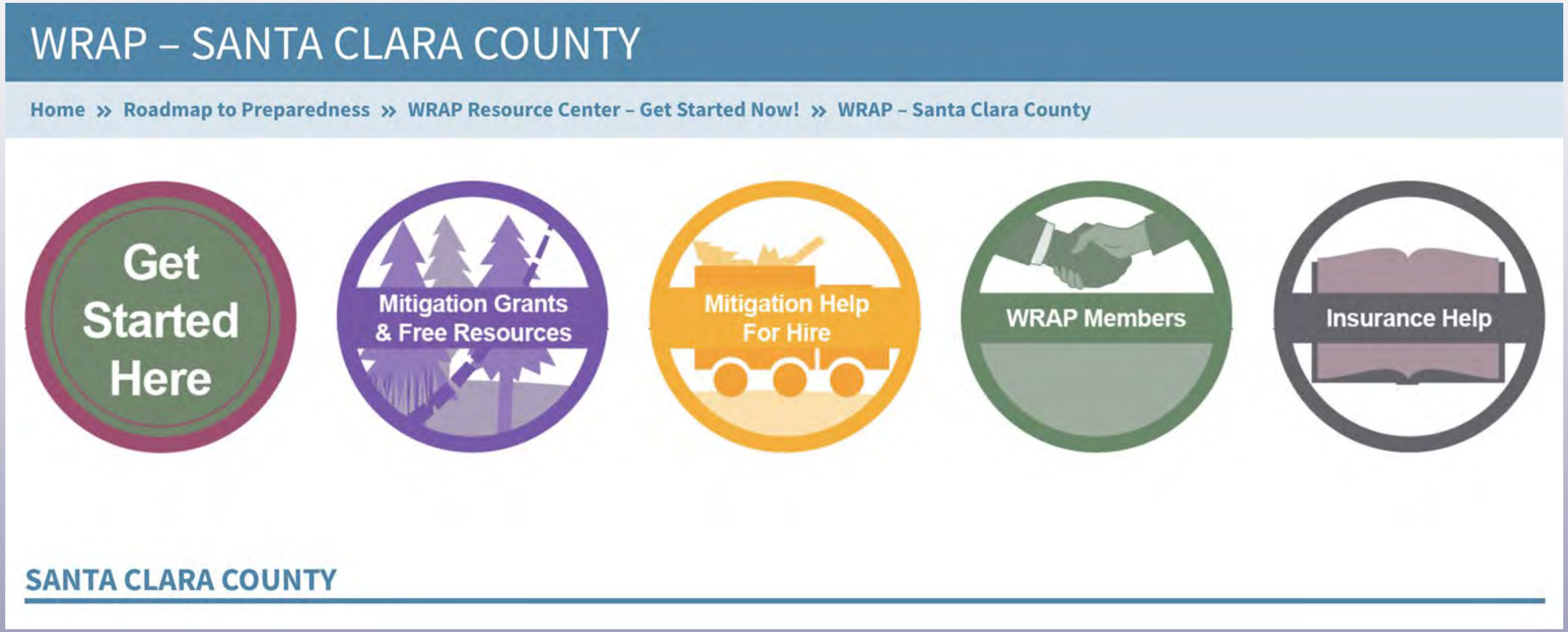
- Get educated on your options
- Seek out a pro-active, consumer-oriented agent/broker
- Avoid underinsuring your dwelling: Aim to insure for replacement value, including coverage for building code upgrades
- Compare what premiums will be w/various deductibles
- Reduce/eliminate non-essential coverages where feasible
- Create a home inventory, store it safely
- Help your community be Firewise/Fire Safe
- Mitigate! Take steps to “harden” your home and create defensible space - www.uphelp.org/wrap

Yes it's worth it…
(even if your lender isn't requiring)

- Insurance money -- not charitable or government aid -- is the #1 source of money that helps people rebuild and recover after a disaster.
- FEMA money is *needs-based* and the maximum grant is $41k. Average ~ $5k.
- SBA loans are low interest but must be repaid.
- Charitable aid generally covers basic needs – not the cost of rebuilding a home.

Get risk reduction help in your area

www.uphelp.org/WRAP



- FIND LOCAL RESOURCES
- ASSESS YOUR HOME
- CHECK FOR INSURANCE DISCOUNTS
- GET STARTED

Request consumer tip rack cards at: www.uphelp.org/rackcards

Search

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We’ve got your back when insurance matters

United Policyholders (UP) is a non-profit 501(c)(3) whose mission is to be a trustworthy and useful information resource and a respected voice for consumers of all types of insurance in all 50 states. We don't take money from insurance companies. We give you the straight scoop. Guide you on buying insurance and navigating claims. Fight for your rights.

info@uphelp.org | www.uphelp.org

Get Ready

Get Your Disaster Ready Guide

www.listoscalifornia.org/resources