

# CALIFORNIA DEPARTMENT OF INSURANCE



# CALIFORNIA INSURANCE TRENDS: AVAILABILITY AND AFFORDABILITY

The California Department of Insurance recognizes that homeowners — especially in the WUI — are experiencing:

- **Non-renewals:** 600% increase in complaints to the Department since 2010
- **Premium Increases:** More than 100 rate increases filed in 2017-18
- **Lack of available insurance** in the traditional homeowners and renters market
- **FAIR Plan coverage** that is not as comprehensive as traditional HO insurance



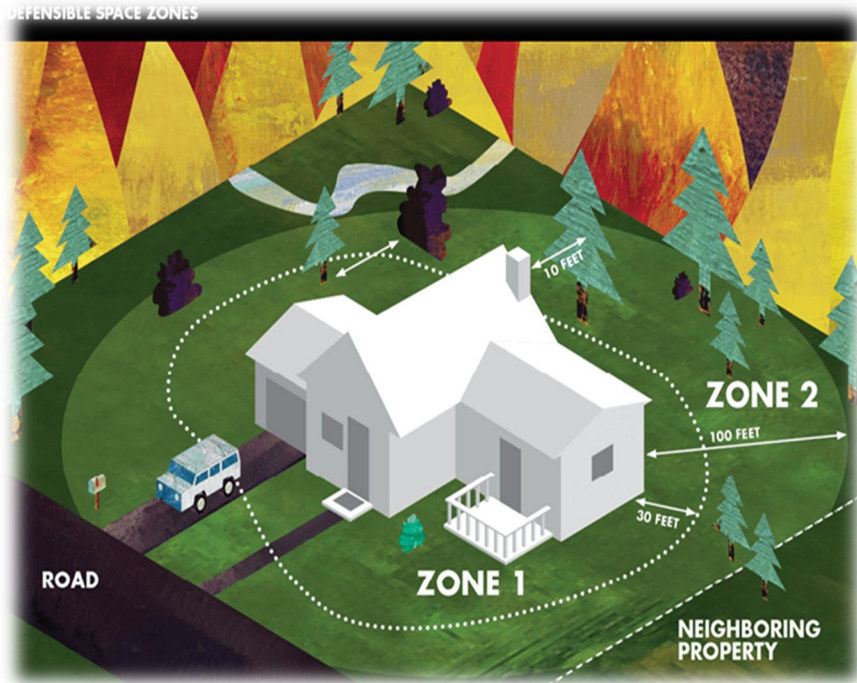
# INCREASED RISK DRIVING ISSUES

- 10 of the 20 most destructive wildfires in California's history have occurred in the last 3 plus years
- As risk increases, the cost of insurance increases and the availability of coverage decreases
- Insurers consider the very recent past to underwrite and to determine rates for the very near future – with \$25 billion in losses in 2017-2018



# RESIDENTIAL UNDERWRITING

## OLD SCHOOL



## NEW SCHOOL



Insurers traditionally evaluated each home based almost entirely on its own characteristics and condition. Today, homes must first pass through an evaluation filter based on satellite imagery of the region that evaluates slope, fuel load and type of fuel, and access.

# CURRENT NON-RENEWAL AND UNDERWRITING LAWS

- Eligibility guidelines for new policies and renewals must have an objective relation to the relative loss exposure – they must not be unfairly discriminatory (CIC 1861.05a)
- The insurer must provide 45 days notice of non-renewal (CIC 678)
- And provide the applicant or insured with the specific reason for the declination or non-renewal (CIC 791.10)
- Minimum of two annual renewals required for those with total losses from declared disaster by Governor and one year of continued coverage for homes in areas within or adjacent to a wildfire, In addition, 1 guaranteed renewal for those homes that did not suffer a total loss but are in the area adjacent to a wildfire (SB 824 Lara). (CIC 675.1)

# INSURANCE CONSUMERS SHOULD BE ABLE TO RELY ON THEIR COVERAGE

- Underinsurance and non-renewals issues continue
- 45-days notice for non-renewal seems unfair when there is:
  - No consideration of individual tenure or claims history
  - No consideration of pre-fire mitigation
  - No change in the individual risk
- No clear statewide standards for a fire resistant structure
- Insufficient coverage limits issues with FAIR Plan
- Many homeowners on fixed incomes purchased homes and obtained insurance long before today's convergence of issues were even a minor concern
- Inaccurate Coverage A (dwelling coverage) estimates contribute to underinsurance

# REDUCING RISK THROUGH PREVENTION AND MITIGATION

The best way to increase availability and affordability of homeowners insurance is to decrease the risk of loss. This includes looking at where we build and investing in pre-disaster prevention and mitigation efforts:

- Building Codes
- Fire Resistant Modifications
- Land Use Planning
- Community-wide Abatement
- Defensible Space
- Enhanced Infrastructure
- Wildfire Sensors



# A WAY FORWARD

## Transparency in rates and non-renewals

- SB 824 (Lara) — requirement for insurer reporting of fire loss data by wildfire risk score, protection class, and ZIP code to create a more credible rating data in particular for the higher risk homes which are fewer in number
- Requesting detailed information in insurer rate filings specific to how wildfire risk scores affect rates – for increased transparency in how homeowners' wildfire risk score affects their premiums
- Updated non-renewal data to reflect the impact of the 2017 and 2018 fire seasons

## Common-sense legislative proposals to reduce risk

- Ensure insurers write or renew a home that is “hardened” and located in a “wildfire mitigated” community
- Address underinsurance with complete replacement cost estimate in writing to insureds annually and insurance coverage for building code upgrade to compliance with building codes
- Extend ALE to homeowners who suffer partial loss of home and/or suffer from causes due to fire damage of essential infrastructure (e.g. unusable water, inaccessible roads)
- Provide more advance notice to policyholders with additional 180-day notice of policy non-renewal
- Allow for more flexibility to policyholders in submitting their contents/inventory claims to insurers
- Seek authority to verify fire risk underwriting models/scores used by insurers
- Increase policy limits under FAIR Plan

# HOW THE DEPARTMENT IS RESPONDING

## ① Strike Team

Starting in August 2019, the Department of Insurance is dispatching a Strike Team to areas affected by non-renewals and insurance availability. Department staff will work with your community, connect residents with resources, and assist local governments in assessing and responding to insurance issues.

### Consumer Hotline

Staffing 1-800-hotline to respond to consumer questions and investigate non-renewals for compliance with laws

**(1-800-927-4357)**

## ② Notices to Insurers

The Department has issued notices to insurers following the 2017 and 2018 fires to make sure claims are handled fairly and to address delays in rebuilding.

**ALE and Land Value:** Requesting insurers extend additional living expenses and not deduct land value to survivors of 2017 wildfires

**Out of State Adjusters:** Ensuring out of state adjusters comply with our laws

**Expedited Claims Handling:** Urging insurance companies to expedite claims and offer billing grace periods

**Home Inventory:** Urging insurers to waive the requirements of a home inventory

## ③ Disaster Response

### Enforcement Efforts

Working alongside local law enforcement to deter contractor fraud and allow access to properties for homeowners and adjusters to expedite claims

### Local Assistance Centers

Department staff deploy to local shelters and assistance centers alongside other state and local agencies and consumer groups in the aftermath of fires



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California Department of Insurance

# QUESTIONS?

**800-927-4357**

**[insurance.ca.gov](https://insurance.ca.gov)**

