

COUNTY OF EL DORADO

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July 25, 2019

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
300 Capitol Mall, Suite 1700
Sacramento, CA 95814

RE: Serious Concern about Homeowners' Fire Insurance Cancellations and Rate Increases in El Dorado County

Dear Commissioner Lara:

On behalf of the El Dorado County Board of Supervisors, I am writing to convey the Board's profound concern about the lack of availability and affordability of fire insurance to homeowners in El Dorado County. It is an extremely urgent problem affecting many and, based on the frequent reports my fellow Supervisors and I hear from our constituents, there is no sign of any imminent change. Indeed, as discussed in the Senate Insurance Committee hearing on May 8 of this year, the problem is likely to worsen.

Premiums are skyrocketing, policies are canceled outright, and notices of non-renewal within weeks of a policy's expiration are occurring at an alarming rate, and it is not an exaggeration to characterize the situation as dire. An especially worrisome aspect to the matter is El Dorado County's higher-than-average population of seniors, many of whose fixed incomes can ill bear the dramatic premium increases — that is, if their carriers continue to cover their homes at all.

Homeowners are uniformly willing to make the necessary physical modifications to their property to minimize risk, but many of the notices received by homeowners offer no alternatives whatsoever to cancellation. And the insurance companies often give only 30 days' notice, leaving homeowners in the lurch as they scramble to obtain coverage from another — any other — carrier. As a last resort, some El Dorado County homeowners have tried to pack up and leave, only to find that their property is unsellable or seriously devalued because of the unavailability of fire insurance coverage.

We recently conducted a poll of our residents on the issues of homeowner insurance and defensible space. The El Dorado County Association of Realtors (EDCAR) also surveyed its members about the challenges they face with fire insurance coverage and costs. The results from both surveys clearly demonstrate the negative impact current insurance company practices are having in El Dorado County. To wit:

- When we asked what has happened with residents' homeowner insurance over the last two years, nearly 40 percent responded that it was canceled or not renewed, or that premiums increased by more than 100 percent. Comments include: *"Everyone that we contacted told us*

'no,' that we were in a high fire danger area." "Homeowner insurance canceled by Liberty Mutual three years ago. Now paying more than double." "Home insurance went from \$990 to \$2400 in 2 years, with a max deductible (I think \$5000, but could be \$10,000), and no contents covered, so just house replacement, and I was just notified last week that the house is a bit under-insured, but we declined to adjust it this year, will relook at it next year." "I'm deeply concerned with the direction that the insurance industry is headed... a neighbor recently had his rates, which were increased last year, increased to \$10,000 annually. More than 300%. And he has great defensible space." "...the defensible space and county requirements have cost us over \$8000.00 so far and I still need the 100' separation from neighbors who have not complied. ... keep up the pressure on Sacramento for insurance reform." "It is increasing difficult to find insurance and the premiums have been raised significantly. I was dropped by one insurance two years ago (no missed/late payments, no claims, just live in 'fire area' AKA Lake Tahoe) and notified recently by the new company (with higher costs than the first) that they will not renew next year due to 'living in a fire area.' "Insurance is required for my home loan, not to mention my piece of mind as my home is my largest investment. What is the government doing to regulate these companies and their practices???"

- More than 82 percent of respondents said they have done most or all (56 percent) or some (26 percent) of the defensible space work on their property, yet comments include *"My insurance was canceled even though I live in a neighborhood."*
- The EDCAR asked its members, "What issues have you or your clients experienced regarding fire insurance coverage in our county?" The summary of responses indicate almost all respondents indicated that their clients were having incredible difficulty getting coverage, let alone being able to afford it. Many clients faced canceled coverage after receiving quotes from insurance companies, which left them limited options of coverage. One of the only options available is the California FAIR Plan, which unfortunately features in many cases extremely high premiums.
- To the question, "Have you had any clients or buyers fall out of escrow due to insurance reasons/fire insurance cost?" nearly 50% of respondents indicated one of their clients has fallen out of escrow due to insurance reasons, with another 15-20% indicating that they may have a client or buyer back out in the near future.
- And finally, perhaps the most alarming for EDCAR members is their answer to the question "On a scale of 1-10 (1 being severe, 10 being not an issue) how are the insurance coverage issues impacting your business in our county?" The average was 2.6.

As comments from our survey and communications from our constituents clearly show, we firmly agree with EDCAR when its leadership says "insurance coverage in El Dorado County is undeniably impacting the value of homeownership, and modifications or amendments to the way these policies are written should be considered a priority." Considering these circumstances, it is likely home values will decrease resulting in decreased property tax revenues that will eventually impact essential county services.

We accept that we live in areas identified as elevated or high fire-risk areas and know the catastrophic wildfires occurring in recent years have defined our new normal. But we in El Dorado County stress the need for reexamination by the insurance industry of its methods of assessing risk in California. We also urge increased transparency, as well as uniform risk modeling standards, applied industry-wide and addressing the following:

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- Individual homeowner fire mitigation efforts (i.e., vegetation management and home hardening)
- Local certification programs (e.g., Boulder, CO's Wildfire Partners Program)
- Neighborhood mitigation programs (e.g., Firewise Communities)
- Regional fire mitigation activities at the state and local levels (e.g., CAL FIRE Fuelbreak projects, increased County hazardous vegetation inspections, etc.)

We encourage the Department of Insurance to work closely with the Governor's Office and to partner with the California Public Utilities Commission to build its institutional knowledge and wildfire expertise, as recommended in the Governor's Strike Force report issued April 12, 2019.

The Department might also wish to reevaluate the adequacy of the California Insurance Guarantee Association (CIGA) homeowners coverage limit, which was set by statute in 1978 at \$500,000. If a Consumer Price Index of 2% were applied, the CIGA coverage limit today would be over \$1.1 million.

Senate Bill 824 (Lara) increased transparency somewhat by requiring admitted insurers to issue biennial reports on specified fire risk information. But we are still hindered by our inability to monitor both consumer access to homeowners insurance and insurers' willingness to provide coverage in given geographic areas.

It is universally accepted that the 3.6 million California homes in the Wildland Urban Interface are at greater risk of the threat of wildfire than in the past. But the way those risks are managed and absorbed remains unclear. We strongly urge you and the Department of Insurance to include county and local governments in the ongoing conversation on the best ways to manage the risks and costs associated with catastrophic events, such as wildfires. Please include El Dorado County as a contributing stakeholder on fire insurance discussions for California homeowners.

Sincerely,



Sue Novasel, Chair
El Dorado County Board of Supervisors

- c. Honorable Brian Dahle, California State Senate
Honorable Frank Bigelow, California State Assembly
Honorable Kevin Kiley, California State Assembly
Cara Martinson, California State Association of Counties
Staci Heaton, Rural County Representatives of California