

Dropped by your Insurer in California? What to do...

If you are one of the many Californians whose insurance company had notified you they will not be renewing a policy on your home, don't panic, but start shopping ASAP. By law they have to give you 45 days notice, and you may need that much time to find a replacement policy you can afford.

In most parts of the state, you still have buying options and insurance companies are still competing for your business. But if you live in a brush-heavy or forested area that's been hit by recent wildfires, it may be hard to find a company willing to insure your home. When you find a replacement policy, it will probably cost more but provide less protection than your old policy. It may be through a "non-admitted" insurer.¹ These types of companies are picking up customers that "admitted" (well-known brand) insurers are dropping.

United Policyholders is here to help you shop and deal with this unfortunate situation, and we are working on initiatives to fix it. To learn more about the reasons why so many insurance companies are reducing the number of homes they're insuring in parts of California, visit the Advocacy and Action section of uphelp.org.

1) TRY AND GET YOUR INSURER TO CHANGE COURSE AND AGREE TO RENEW YOU²

Contact your current insurance company and ask them if there are improvements you can make to your home that will qualify you for a renewal. Give them your best arguments for keeping you as a customer. If you bought your expiring policy through an agent, ask him/her to go to bat for you with the company.

Contact your local fire department, Fire Safe Council or elected officials and find out if there is an inspection, fire risk reduction certification or brush clearing assistance program available in your area.

NOTE: If your insurer did not give you 45 days notice, or their reasons for dropping you seem unfair, seek help from the California Department of Insurance (CDI) at 1-800-927-HELP, www.insurance.ca.gov.

Limited circumstances where an insurer must renew your policy:

- 1. You have a policy with a guaranteed renewal provision. A few companies offer this. Some AARP members who bought through The Hartford have this protection.*
- 2. You lost your home in a declared disaster within the past two years: CA Insurance Code at section 675.1 gives disaster victims the right to one or two renewals when their policy comes up for renewal.*
- 3. Your home was damaged in a declared disaster with the past two years*

¹ "Admitted" insurers are fully regulated by the CA Department of Insurance and their customers are protected by CIGA, the CA Insurance Guarantee Association if their insurer becomes insolvent (runs out of money). "Non-admitted" insurers are not.

² With a few exceptions, your insurance company can drop (non-renew) you as long as they give you written notice at least 45 days prior to the date your old policy will expire, and as long as they are following their own guidelines and not discriminating against you. Their guidelines must be objective, have a substantial relationship to the risk of loss, and be applied consistently. Common reasons include wildfire risk, the age or condition of the property, lack of defensible space, type of roof or construction. The 45-day notice must contain the reason or reasons for the nonrenewal, the telephone number of the insurer's representatives that handle consumer inquiries or complaints, and a statement that you can have the insurer's nonrenewal decision reviewed by the CDI.

2) **DON'T PANIC, START SHOPPING**

Contact the insurance agent you've been using, or ask trusted sources for recommendations to an "independent" insurance agent. Independent agents have relationships with multiple insurance companies. A "captive" agent that sells for companies like State Farm, Farmers or Allstate probably can't help you, as they're limited to only one insurance company.

Visit UP's website, www.uphelp.org and click on the "Insurance Finder" link on the right side of our home page. Try using the Match UP Insurance Finder.

Try the California Department of Insurance's shopping tools. They offer a list of CA home insurance companies with toll-free phone numbers, and a list of companies that sell "DIC" ("Difference in Conditions") policies that fill gaps in Fair Plan policies. www.insurance.ca.gov

If your best coverage and price option is through a "non-admitted" (also called "surplus lines") insurance company, check their financial strength rating with Demotech, A.M. Best, or another agency before you buy. This is important. If a non-admitted insurer runs out of money to pay claims, (becomes "insolvent") their customers are not protected by the same safety net³ that "admitted" well-known brands have under them, and the CA Dept. of Insurance has less oversight power over them.

3) **SHOP SMART**

Your policy should cover what it would likely cost to rebuild your home in compliance with current building codes if it were to be completely destroyed by a natural or manmade disaster of any kind. But many policies don't. Don't blindly trust that your agent or insurer is selling you a policy that will fully protect your assets. UP surveys show that 2/3 of U.S. homes are underinsured. Shop for a policy that will adequately insure your dwelling for a total loss fire, (including building code upgrades) then add coverage for flood and quake protection if you can afford it. Ask the right questions and take good notes while shopping.

- Aim to insure your property for Replacement Cost Value, not depreciated Actual Cash Value.
- Coverage for building code upgrades and an extended replacement cost rider are worth paying for.
- Your dwelling coverage limit should match local construction costs (per square foot) for a home of similar style, age and quality, plus an "extended replacement cost" feature for extra protection.
- Choose the highest deductible you feel comfortable with to keep the cost of your coverage manageable

4) **THE FAIR PLAN IS A LAST RESORT**

If you strike out in the "normal" marketplace, you can buy home insurance through the California Fair Plan. Call them at (800) 339-4099). <https://www.cfpnet.com/> The CA FAIR Plan is a state-run home insurance program for people who can't find a better option. Fair Plan policies provide only basic fire protection (no liability or theft) and cost more than a traditional policy. If you end up having to buy a Fair Plan policy, we recommend two things: Shop again in 6 months. New options may be available. And, if you can afford to, add supplemental coverage for what a Fair Plan policy excludes. Not all insurance agents are familiar with these options, so visit <https://www.insurance.ca.gov/01-consumers/105-type/5-residential/carriersDICpolicies.cfm> for more info.

³ CIGA – the CA Insolvency Guarantee Association pays up to \$500k per home if the insurer goes insolvent.