

Where You Stand If Non-Renewed Due to Wildfire Risk

More and more residents of smaller towns and cities in California are facing a stark reality of having their insurer non-renew their homeowner's insurance policy, only to find few if any other carriers willing to step up to take on the risk.

The reason, of course, is the increasing threat of wildfires, which caused an estimated \$45 billion in damage alone in 2021.

Many insurers have lost so much money on homeowner's wildfire claims that they are:

- Pulling out of the market,
- Limiting the areas where they will cover homeowners, or
- Raising rates substantially and requiring that homeowners shore up their property wildfire resiliency.

If you are a homeowner in California, here's what you need to know:

Cancelation moratoriums

Insurance Commissioner Ricardo Lara has invoked insurance policy cancelation or non-renewal moratoriums for homeowners in areas hit by wildfires this year, regardless of whether their homes were damaged or not.

In his most recent announcement on Sept. 26, he extended the moratoriums to policyholders within the wildfire perimeter or in adjacent ZIP codes of the Mountain, Barnes and Fork fires in Siskiyou, Modoc and Madera counties. Four days earlier, he did the same for 40 ZIP codes in the wildfire perimeter of the Mosquito and Fairview fires in Riverside, Placer and El Dorado counties.

The moratoriums protect homeowners in affected areas from insurance non-renewal or cancellation for one year from the date of the governor's emergency declarations, regardless of whether they suffered a loss.

Insurance options

If you receive a cancelation or non-renewal notice and you are not subject to a cancelation moratorium, you have a few options:

Ask us to shop around for you — We have access to a number of insurers and can cast a wide net. However, in many high-risk areas no insurers are willing to extend coverage.

The non-admitted market — These insurers are not licensed in California, but they are usually backed by global insurance giants like Lloyd's of London. These policies can be expensive.

California FAIR Plan — This is the market of last resort and you can qualify for coverage only if you've received rejections from three different insurance companies. Expect your premium to balloon. Many homeowners are faced with 300% increases or more in the premium for scaled-down coverage.

These policies do not include homeowner's liability, and do not cover all the same risks either. You'll need an additional policy called "differences in conditions" to cover those shortcomings.

Protective measures

Homeowners can and should take steps to protect their properties from wildfire risk if they are in an at-risk area, as follows:

Prepare defensible space — Defensible space is essentially the firebreak immediately around your home. Many fire-prevention concepts are organized around maximizing defensible space. That requires maintaining and spacing vegetation, removing debris and keeping flammable items and plants away from the home's immediate perimeter.

CAL FIRE recommends that you manage your property in zones like [this](#) to reduce the chances of your home going up in flames in the event of a wildfire.

Fire-proof your property — Take steps to fireproof your home using fire-resistant materials and covers to reduce the chances of hot embers entering the building(s).

CAL FIRE recommends that you:

- Roof your home with Class A-rated materials.
- If you have a wooden roof, treat it with a fire-retardant coating.
- Install non-flammable siding.
- Install mesh screens of 1/8" or less in vents and chimneys to block flaming embers.
- Replace single-pane windows with dual-pane ones.
- Use tempered glass in all windows.

A final word

For more detailed information on fireproofing your home, including information on design and building materials, download the Colorado State Forest Service guide, "FireWise Construction: Site Design and Building Materials."

Also, if you are concerned about your insurance coverage, call us to discuss your options.

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