

FACT SHEET: Wildfires and Insurance

Insurance coverage trends

California has suffered four years of devastating wildfires, including the deadliest and most expensive in our state's history. We expect that for homeowners in any area that presents a high risk of wildfire loss there will likely be fewer options for coverage – insurance will likely be more expensive and harder to get. The Department has seen an uptick in non-renewals due to fire risk and will continue to monitor this closely.

How the Department regulates home insurance

Under Proposition 103 approved by voters in 1988, insurers are required to file rate changes with the California Department of Insurance, which reviews the filings. The Department does not set rates. California law requires that insurers' rates are based on demonstrated risk of loss. Current law does not allow the Insurance Commissioner to require insurers to cover specific areas.

Non-renewals: What you can do

California law has certain protections against non-renewal for all homeowners who suffer a total loss or a partial loss due to disaster.

Under a law authored by current Insurance Commissioner Ricardo Lara, homeowners living in a declared wildfire disaster area or adjacent zip codes receive one year of protection from non-renewal to give them breathing room after a wildfire. California extended protections against non-renewal for those who suffer a total loss to two automatic renewals or 24 months. Both those laws took effect in 2019.

For those who have not suffered a wildfire-related loss, California law provides specific rights in the event of a non-renewal:

- The notice of non-renewal must be sent at least 45 days prior to policy expiration.
- That notice of non-renewal must contain: (1) the reason or reasons for the nonrenewal; (2) the telephone number of the insurer's representatives who handle consumer inquiries or complaints; and (3) a statement indicating that if the consumer has contacted the insurer to discuss the non-renewal and remains unsatisfied, the policyholder may have the matter reviewed by the Department.
- The insurance company must determine whether to renew or non-renew based upon its underwriting guidelines, which must be objective, have a substantial relationship to the risk of loss, and be applied consistently among insureds in the particular group being non-renewed.

Consumers who receive non-renewal notices, have difficulty finding coverage, are looking for new coverage, have a question about their insurance, or have a dispute with the insurer should contact the Department's **Consumer Hotline at 800-927-4357**.

Avoid being underinsured

Underinsurance is a major and persistent issue that is causing people significant delays in moving forward to rebuild. It is not only a financial blow to disaster survivors, but it is economically devastating to communities. It is critical that insurance consumers have adequate protection. Consumers need to take action to verify they have the right limit for Coverage A, which is the dwelling portion of the insurance policy that covers the cost of repairing or completely **rebuilding or replacing the physical structure of a person's home**.

Finding insurance coverage

The Department of Insurance has online resources to help homeowners with finding insurance coverage.

Use our website, www.insurance.ca.gov, to [find 800 numbers for over 50 insurers that write homeowners coverage](#), locate agents or brokers, and compare premiums and coverage options. You can also utilize our [Premium Comparison Tool](#) and [Coverage Comparison Tool](#) to compare premiums and coverages. You may also find our [Top Ten Tips](#) for Finding Residential Insurance useful.

What if I cannot find insurance?

The Department of Insurance regulates and reviews rates for all insurers licensed to sell in California through what is known as the admitted market. However, for homeowners who cannot find insurance, there are two other options to explore:

The FAIR Plan: The [California FAIR Plan](#) is available to every homeowner as a last option for coverage. The maximum limit written by the FAIR Plan on a residential property for all coverages combined is \$1,500,000. Because the coverage provided by a FAIR Plan policy is very limited, it is recommended that you supplement the FAIR Plan policy with a [Difference in Conditions](#) policy.

Surplus lines: If none of the above options work for you, you may try obtaining coverage in the "surplus lines" market. The surplus lines are not backed by the California Insurance Guarantee Association and their rates are not subject to review by the Department of Insurance. Ask your agent or broker if they are able to obtain coverage with a surplus lines insurer or obtain coverage through a [surplus lines broker](#).

What the Department of Insurance has done to help wildfire survivors

The Department of Insurance has hosted multiple workshops for wildfire survivors from both the 2017 and 2018 fires to ensure they have all the necessary information and to help them through the recovery process. At these workshops, Department staff met one-on-one with residents to address their specific issues. Department staff also have attended town halls throughout affected communities to inform survivors of [resources](#) that are available to them.

In 2018 alone, the Department has assisted thousands of wildfire survivors with insurance claims and other information.

The Department has worked with the Newsom Administration through the Governor's [Strike Force](#), the 901 Commissioner and the Legislature providing numerous recommendations aimed at keeping insurance affordable and available to all Californians. Prevention, mitigation, improving resiliency will make California safer. The ability to find affordable insurance will improve when we reduce risks to communities.

What if I am in a wildfire disaster?

After contacting your insurer, you can also call the Department of Insurance at 800-927-4357 to understand your rights. If you cannot locate the insurance policy for the property and do not recall the name of the insurance company, you can visit our [Residential Insurance Policy Locator](#) tool.

Top Ten Tips for Wildfire Claimants

- 1 Obtain a complete copy of your residential homeowner's insurance policy**, including your declarations page. The law requires your insurance company to provide this to you free of charge within 30 days of your request. Ask your agent or insurer representative to explain how much coverage you have (1) to rebuild or repair your home, (2) for your personal belongings, and (3) for living expenses. This should include an explanation of Extended Replacement Cost and Building Code Upgrade coverages if applicable. Ask how to most effectively claim your coverage benefits.
- 2 Take note of your Additional Living Expense (ALE) limits** and manage your ALE expenses in recognition of a long rebuilding process. Your time to collect ALE after a declared catastrophe is no less than 24 months even if your policy says otherwise; however your amount of coverage is not increased. An extension of up to 12 additional months, for a total of 36 months, should be granted if you encounter delays beyond your reasonable control.
- 3 Track all of your additional expenses that arise** from having to live in another location away from your home. Note: your ALE reimbursement may be offset by your normal cost of living before the fire (i.e., ALE does not pay for your mortgage or expenses you would normally incur) but you are entitled to the same standard of living you had before the fire. ALE will pay for temporary rent, additional mileage, etc.
- 4 Document all of your conversations with your insurer/adjuster about your claim** and policy limitations in a dedicated "claim diary." If your adjuster says something is excluded, limited, or subject to certain conditions, ask the adjuster to point out the specific provision in your policy being cited.
- 5 Get at least one licensed contractor's estimate or bid on the cost to rebuild your home** just to get a reasonable sense of the actual cost as compared to your coverage limits (for more considerations on contractors, view the CDI's electronic brochure [Don't Get Burned After a Disaster](#) and check the website for [California's Contractors State License Board](#).) While your insurance company may provide its own estimate, it may contain errors or fail to reflect local conditions or demand surge. Demand surge reflects price increases following a major disaster when contractors and materials are in short supply.
- 6 Call the Department of Insurance Hotline for help at (800) 927-4357.** You can also file a complaint at: <http://www.insurance.ca.gov/01-consumers/101-help/>. Consider insights from consumer advocates.
- 7 Understand you can purchase or rebuild at another location**, and still receive full replacement cost benefits including Building Code Upgrade and Extended Replacement Cost benefits if those were included on your policy and necessary to rebuild the insured dwelling. You also have the right to rebuild using the contractor of your choosing. In order to reduce the cost of rebuilding, you might also consider a community-wide development approach utilizing a common builder.

Top Ten Tips for Wildfire Claimants

- 8 Assess your situation and do not rush into any decision** about contractors, lawyers or public adjusters and consider your mortgage/employment/financial situation, your age, children's schools, your willingness to deal with construction issues (no matter who your contractor is). The insurance process is a series of important decisions over a long period of time, but few, if any, need to be made today. Of course, move forward if you have obtained multiple bids from reputable licensed contractors, are certain you want to rebuild, are sure of the rebuilding costs and your insurance limits and want to be sure you are a priority for your selected contractor to start the rebuild. The [Contractors State License Board](#) (CSLB) has publications that can help you identify and avoid problems before they occur. Contact CSLB at 1-800-321-2752 to obtain a free copy of their publications and/or verify the [licensing status](#) of a contractor.
- 9 Do not assume you have inadequate coverage based on general information you hear** about building costs or other general comments. The adequacy of your limits needs to be addressed on a case specific basis to determine how much it will cost to rebuild your home and whether your limits, including extended replacement cost coverage if applicable, are adequate. But if you determine you are underinsured, gather relevant documentation and contact the Department of Insurance for help.
- 10 Evaluate whether you will need a public adjuster or attorney to help you with your claim.** If rebuilding will take a long time you are likely to use your entire ALE limits. If you are also reimbursed by your insurer for your entire personal property loss or your full personal property limits, you may not need a public adjuster or attorney to help you obtain full settlements for either of these coverages. Public adjusters typically require a percentage of the claim settlement for their services. Make sure you understand what they charge and the services you are paying for before you sign a public adjuster contract. Some public adjusters may insist on a contract that includes payment to the public adjuster based upon the entire amount paid to the policyholder by the insurer, including amounts paid to the policyholder before the public adjuster contract was signed. A public adjuster should not charge a fee on payments you received from your insurer before the public adjuster contract was signed. A fee should only be charged on additional monies the public adjuster gets for you. Contact the Department if this issue arises in your contract.

In a declared-disaster, you may cancel the contract within five calendar days. Public adjusters are required to be licensed by the California Department of Insurance. To verify a public adjuster's license, call us at 1-800-927-4357 or check the status online by [name](#) or by [license number](#). Practicing without a license is against the law. Public adjusters may not solicit in a declared-disaster area until the fire has been out for seven days.

Please note: These tips are for general guidance only and are not a substitute for legal advice.

Top Ten Tips for Finding Residential Insurance

We are aware there has been an increase in nonrenewals and understand that residential insurance is getting harder to find in any area that insurers identify as having a higher than average risk of wildfire. While the Department of Insurance doesn't have the legal authority to tell insurers what level of risk they must write or where they must write insurance, we can monitor that they are consistent in their decisions and that their decisions are based on considerations of risk, not other biases. We are here to help you and have a number of tips to help you through this process.

- 1 If you get a nonrenewal notice, contact your insurer and ask if there are any specific actions you could take to mitigate your risk and retain your coverage.
- 2 If you think your nonrenewal was unfair, you may [file a complaint with us](#).
- 3 Don't let these actions delay starting your search for a new insurer. Make sure you have done everything you can do at your property to mitigate fire risk then start shopping for coverage.
- 4 In addition to contacting local agents or brokers in the vicinity of your home, you may wish to use our [Residential Insurance Company Contact List](#) that provides toll free numbers for over 50 insurers that are licensed to sell homeowners insurance. You can contact each of them to find the closest agent or broker or, in some cases, get a quote from them directly.
- 5 If you need help from an agent that speaks a specific language, you can use our [Agent Language Locator](#) to find one near you.
- 6 You can also utilize our [Premium Comparison Tool](#) and [Coverage Comparison Tool](#) to compare premiums and coverages.
- 7 Some agents may exclusively represent only one company. You should also contact independent agents or brokers who represent multiple insurers to seek coverage. Verify which insurers each agent you contact represents in order to conduct a thorough search of all insurers.
- 8 Understand that the [California FAIR Plan](#) is available to every homeowner as a last option for coverage. The maximum limit written by the FAIR Plan on a residential property **for all coverages combined** is \$1,500,000. Because the coverage provided by a FAIR Plan policy is very limited, it is recommended that you supplement the FAIR Plan policy with a [Difference in Conditions](#) policy.
- 9 If none of these options work for you, you may try obtaining coverage in the "surplus lines" market. Ask your agent or broker if they are able to obtain coverage with a surplus lines insurer or obtain coverage through a [surplus lines broker](#) (note, surplus lines insurers are not backed by the California Insurance Guarantee Association).
- 10 If you prefer to speak live with our staff, you are always welcome to call the Department of Insurance toll free at **1-800-927-4357**.

