

Insurance crisis threatens California economy

September 22, 2023



During his Board report at the Supervisors meeting, last week, Supervisor Chris Howard brought up the subject of insurance carriers pulling out of California. The 3rd District supervisor cited his greatest fear revolved around addressing the crisis.

The alternative for homeowners securing insurance is the California FAIR Plan (Fair Access to Insurance Requirements) is vastly underfunded by about \$1 billion, according to Howard.

5th District Supervisor Dean Wilson added the FAIR Plan coverage is double (the cost) or more of a traditional homeowners plan and coverage is limited to fire only coverage.

Public Speaker Dave Powell of Alder Point Realty told supervisors many of the current escrows are unable to successfully close for lack of providing insurance buyers' coverage.

The crisis centers around citizen-passed initiative Prop 103. Insurance carriers must apply for rate increases through the California Dept. of Insurance. The Insurance Commission has been slow to respond and insurance carriers have reluctantly pulled out of the California market due mainly to rampant inflationary

costs in providing coverage to homeowners. Farmers, State Farm, All-State and several other companies are not issuing renewal policies, whatsoever. Some service coverage remains for existing clientele.

During its recent legislative session in Sacramento, lawmakers chose not to address this dilemma. The impact on Del Norte County is dramatic. In the wake of the devastating Smith River Complex fires, homeowners are now faced with no options but to turn to the reportedly underfunded FAIR program.

Yana Valochovic, County Director-Forest Advisor for the University of California Extension, addressing and updating the Board, on ongoing legislation, shared her take on the insurance crisis.” We’re at a tipping point. Most of our wealth is tied to our homes. California is the largest real estate market in the nation. The risk to fundamentally destabilize the economy is real. The crisis has to worsen before people have the political will to take on Prop. 103.”

Valachovic has worked closely at the legislative level to help craft laws to address this insurance conundrum. “ This is a complicated dynamic and involves Prop. 103. Reluctantly, Valachovic observes the crisis worsening. “ More pressure must be applied to our State legislators to address the insurance crisis.”

The Board meets again, Tuesday, September 26 at 10AM at the Flynn Cener.