

# Homeowners Insurance Presentation

Sept 5, 2009

# The Symptoms of the 'Crisis':

- Have you been recently cancelled or non renewed?
- Policy costs are increasing.
- Policy non renewals are on the rise.
- Policy cancellations are on the rise.
- Insurance companies will underwrite properties in one locale but not another.

# What is driving this 'Crisis'?

- We live in California!
- We live in a wild land/forest area!
- We have had a recent fire in our community (Wainright-April 2008).
- The Knight Fire a month ago just 10 miles from Cold Springs.
- Fundamental drive by the Insurance industry to reduce risk and financial exposure.

# How are Insurance companies responding to the 'Crisis'?

- Some companies are withdrawing from the California market entirely.
  - Less competition
  - Increases the risk and financial exposure to the remaining insurance companies.
  - Tends to increase premium costs.
- Increase focus on where they are underwriting Homeowner insurance.
  - Location by zip code.
  - Using a process call 'brush mapping' to establish a PC (Peril Class) code for the property. (Not all insurance companies use this system however)
- Conducting more property inspections using State law PRC4291, Defensible Space guidelines. (can be subject to individual/inspector interpretation however)
  - [http://www.fire.ca.gov/communications/communications\\_firesafety\\_100feet.php](http://www.fire.ca.gov/communications/communications_firesafety_100feet.php)

# How are Insurance companies responding to the 'Crisis'?

- Some companies are refusing to underwrite properties that are rated at a PC class greater than 6
- More insurance companies are using a PC rating system as published by a company called ISO. (not to be confused with the International Standards Organization)
  - ISO – Insurance Services Office (risk assessment and risk management services) <http://www.iso.com/>
  - Rating system is available only to licensed insurance agents or insurance companies who subscribe to their services.

# What can you, the property owner, do?

- Be proactive.
- First and foremost, educate, yourself about your current policy provisions, rating system and insurance company practices.
  - Recognize that the insurance industry is loosely regulated.
  - Insight into policies and practices is difficult for the average consumer.
  - Ask lots of questions (shopping for insurance is often the best way to get the inside scoop).

# What can you, the property owner, do?

- Second, but equally as important, reduce your own risk and financial expose.
  - Familiarize yourself with the requirements of State law PRC4291.
    - ([http://www.fire.ca.gov/communications/communications\\_firesafety\\_100feet.php](http://www.fire.ca.gov/communications/communications_firesafety_100feet.php))
  - Have your property inspected by a qualified inspector
    - <http://www.fire.ca.gov/> for links to Cal Fire (authorized agency)
  - Implement the recommendations noted the inspection report.
  - Regularly (min. annually) remove forest debris (needles etc.) from all roof areas, gutters and forest floor (up to 100ft from structure or to property line if <100ft).
  - Use fire resistant roofing materials when re-roofing your structures.
  - Remove excess materials from under decks and from within 30 ft of structure.
  - Ensure propane tank is 30 ft or more from habitable structure.
  - Remove fire rings and fire pits.

# What can you, the property owner, do?

- Contact your local fire department and ask them to show you what PC class your property should be rated for. Fire departments typically have access to and use the same ISO rating system as insurance companies use.
- Located the nearest fire hydrant to your property.
  - The CS Water Co (Sandra) can give you a map of all the hydrants in CS
- Be prepared for random property inspections.
- Be aware your claim frequency affects your ability to renew or obtain insurance.

# Key Points affecting the PC class rating.

- Location (topography, vegetation, terrain)
  - Cold Springs (per ISO) is lumped in with many small communities on hwy 108 and has a PC class 5/8 rating. (see next two items; if Y to both PC = 5)
- Distance from a fire department  $\leq$  to 5 miles?
  - Cold Springs (market) is 4.1 miles from the Pinecrest fire department)
  - Full time vs. volunteer staffing (?)
- Distance from a fire hydrant 500 or 1000 feet?
  - Requirement varies between insurance companies
  - Definition of a fire hydrant varies (4 inch dry pipe or 8 inch diameter water pipe)

# In closing:

- Don't be surprised (if you are cancelled or non renewed).
- Be persistent when finding new insurance. (there are companies willing to take the risk).
- Be prepared to pay more for insurance.
- Don't give the insurance company a reason not to insure you. Insurance cannot be taken for granted!