MARKET TRENDS

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Non-Renewal Notices

Carriers Are Starting to Non-Renew Policies

- While this was already a trend in Santa Barbara/Montecito over the last 2 years, more carriers are following suite

- California has always been prone to wildfires, but insurers say the risk is increasing as fire-prone areas have become increasingly populated and a warming planet adds new uncertainty to natural catastrophes.

- State wildfires in 2017 and 2018 costs insurers more than $23 billion according to the CA Department of Insurance.

- State law requires insurers to offer at least one renewal to homeowners who suffered a total loss in the 2017 and 2018 wildfires.

Exiting the Marketplace

Carriers No Longer Wanting to Write Coverage

- With 2 years of record-breaking blazes, we are seeing many carriers no longer offering insurance terms in California.
- Carriers are tightening their underwriting.

Rate Increases

Carriers Have Applied For Rate Increases

- We are seeing anywhere from 6.9% to over 50% increases in premiums
- We will be seeing auto rates increase as well due to all the distracted drivers.

California Fair Plan

- The California Fair Plan is the state insurer of last resort
- Maximum coverage is $1.5M
- Very limited coverage and need a companion policy along with it. The Fair Plan does not include standard homeowner coverage like water damage, theft or liability.
- Rate increase of 20.3% beginning in April 2019

Non-Admitted Markets

Utilization of Non-Admitted Markets

- Many buyers are purchasing insurance from surplus carriers.
- Surplus carriers are an option that is available only to homeowners that can't purchase traditional insurance.
- Surplus policies are more expensive
- Surplus markets don't need state approval for the prices they charge
- Surplus insurers sold about 49,000 homeowner policies representing $122M in premium in 2018, up from 30,500 policies and $77.6M in premium in 2014.

Admitted vs. Non-Admitted Markets

- Non-admitted insurance carriers are regulated by the state Surplus Lines offices, but regulation is far less invasive than for the admitted markets. The most obvious difference between admitted and non-admitted is that purchasers of non-admitted policies do NOT have the protection afforded by the state's guaranty fund **.

- An “admitted” or “licensed” insurance company— is an insurance company that must file its rates and specific requirements with the California Department of Insurance (CDI). Once an admitted insurance company files its rates, it cannot change its rates without authorization from the CDI

A state guaranty fund is administered by a U.S. state to protect policyholders in the event that an insurance company defaults on benefit payments or becomes insolvent. The fund only protects beneficiaries of insurance companies that are licensed to sell insurance products in that state.