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NEWSALERT

Homeowner's Insurance

New Rules Aim to 'Fix' Availability Crisis

WITH THE California homeowner's market increasingly stressed with fewer and fewer insurers willing to write policies in the Golden State, the state insurance commissioner has floated a plan aimed at easing the crisis.

The main thrust of the new proposal is to make it easier for insurers to get their rate-hike requests approved, efforts that have been stifled due to laws that have been on the books since the early 1990s from a law known as Prop. 103. As well, insurers are limited in the types of data they can use to justify rate increases, which has constrained them from being able to ask for hikes that are adequate to cover their potential liabilities.

The proposed rule changes, along with others that are coming this year, are aimed at luring insurers back into the marketplace after one carrier after another has either stopped writing homeowner's insurance in the state altogether, or restricted how many policies they will write in California, and where.

While insurers are still writing policies in California, their numbers are shrinking, making renewals a difficult process for many homeowners. Insurers have also gotten pickier about properties they are willing to cover, with some setting limits on the age of a building and taking into consideration whether the property owner has filed any claims in the last three years.

The commissioner's plan

Insurance Commissioner Ricardo Lara's proposed regulations, one of those prongs, would allow insurers to use catastrophe models to better predict insurance rates for wildfire, terrorism and flooding. Currently, they are only allowed to use historical claims data, which is backward-looking and does not account for the surge in risk and costs that's occurred during the last five to 10 years.

As well, they are not allowed to consider the growing risk caused by climate change, or wildfire risk mitigation measures taken by communities or regionally as a result of local, state and federal investments.

Mark Sektnan, vice president for state government relations for the American Property Casualty Insurance Association, said this change would go a long way towards addressing the insurance crisis in the state.

"As Californians grapple with record inflation and become increasingly vulnerable to climate-driven extreme weather, including catastrophic wildfires, this is a critically needed tool to help identify future risks more accurately and set rates that reflect our new reality," he said. "More accurate ratemaking will help restore balance to the insurance market and ensure all Californians have access to the coverage they need."

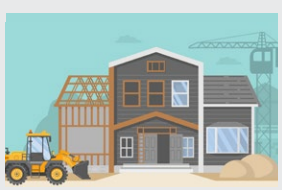
The trade-off for consumers will be the likelihood of more insurers coming back into the market to write homeowner's insurance in exchange for them asking for large rate hikes.

The latest proposed regulation follows another that was introduced in late February

See 'Rate' on page 2

FOUR FACTORS BEHIND INSURANCE CRISIS

Massive wildfire insurance claim losses, which have increased exponentially as wildfires have grown more destructive and in number.



The cost of rebuilding, which has surged as construction and material costs have exploded.

The rising cost of reinsurance, which carriers buy to cover themselves if they have catastrophic claims.

Difficulties in getting rate hikes approved.

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Coverage Restrictions

Understanding Sublimits: Protecting Your Valuables

HOMEOWNER'S AND renter's insurance provides vital protection against a range of risks, from property damage to liability claims.

However, many homeowners are unaware that their policies come with sublimits for certain household items. These are caps placed on the coverage amount for specific categories of belongings, such as furniture, jewelry, collectibles — and other structures on the property.

Understanding these sublimits is crucial for ensuring adequate protection for your valuable possessions.

What are sublimits?

Sublimits are limitations within your homeowner's insurance policy that restrict the maximum amount the insurer will pay for certain types of property in the event of a covered loss.

Sublimits are usually placed on high-fraud items like jewelry, guns and artwork. They can vary wildly, ranging from $1,500 per item with a $2,500 total limit to $5,000 per item and a $10,000 total limit.

You should also remember that any claims for damage or theft are subject to your policy's deductible.

COMMON SUBLIMITED ITEMS

Jewelry: Many homeowner's insurance policies have sublimits for jewelry, typically ranging from $1,000 to $2,500. If you own valuable pieces such as engagement rings, watches or heirloom jewelry, these sublimits may fall short of covering their full value.

Electronics: Computers, cameras, home theater systems aand other electronics are often subject to sublimits, which could be insufficient to replace high-end equipment.

Art, guns and collectibles: These items may have limited coverage under standard policies. If you've invested in valuable art pieces or rare collectibles, or have an extensive baseball-card collection, you may be underinsured in case of damage, loss or theft.

Other structures: Sheds, fences, detached garages, gazebos and grandmother's quarters may be subject to sublimits separate from the main dwelling coverage. These limitations could leave you with insufficient funds to repair or replace such structures if they are damaged.

Importance of additional coverage

For homeowners with high-value items that fall under sublimits, it's essential to consider additional coverage options to bridge the gap.

Riders or endorsements are add-ons to your homeowner's insurance policy that provide increased coverage for specific items or categories of property.

Here's what you can do:

1. **Assess your valuables:** Take an inventory of your possessions, particularly those with high monetary or sentimental value. This includes jewelry, electronics, artwork and any other items that may be subject to sublimits.
2. **Review and update regularly:** As the value of your belongings changes over time, it's crucial to review your insurance coverage regularly. Update your policy as needed to reflect any new acquisitions or changes in the value of existing items.
3. **Call us:** Reach out to us to discuss your coverage needs. We can help you understand the sublimits in your policy and recommend appropriate riders or endorsements to ensure adequate protection for your valuables. ❖

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Rate Hike Requests Can Take Years to Be Considered

that would speed up approvals of rate-increase requests. These can sometimes take years if the Department of Insurance asks for more supporting documentation, which can reset the rate approval process, delaying final approval. Some insurers have waited more than two years to get their rate hikes even considered.

Current rules "lack clarity and fail to specify the exact materials and information required in a complete rate filing application given the change in times and increased complexity of filing," according to the Department.

This proposed rule codifies clearer instructions for what supporting documentation insurers must submit when filing for rate increases.

The takeaway

A public hearing on the proposed catastrophe-modeling regulations will be held on April 23 and it's the department's plan to get these new rules implemented by the end of 2024, along with the rules on speeding up rate-increase requests.

In the coming months, the department plans to propose additional regulations as well as legislation in order to get insurers to write business in the state again.

If enacted, it's hoped that the various planned changes will provide some relief to homeowners in the state.

We'll keep you posted as this develops. ❖

Playing It Safe

Getting a Trampoline? Understand Liability Risks

AS SUMMER approaches, many families with children will buy trampolines or bring one out from winter storage so the kids and their friends — and maybe even parents — can bounce to their hearts' delight.

But while they are fun, they can also be dangerous, with 100,000 Americans seeking emergency-room treatment for trampoline-related injuries a year, according to the U.S. Consumer Product Safety Commission (CPSC).

This means you have a potential liability should a guest be injured playing on a trampoline. If your child's friend is injured and you were not supervising their play, you run the risk of being targeted in a negligence lawsuit.

Even if you have barred the kids from playing on the trampoline without adult supervision and they break the rules, you can still be held liable should your child's friend injure themselves.

If you are in the market for a trampoline or have one already, you need to have strict safety rules in place to protect your family members and any guests that use it.

If you do decide to get one, pay close attention to the safety recommendations from the CPSC Trampoline Safety Alert in the box opposite.

Insurance

While your homeowner's policy could cover the cost of a claim, the policy limits may not cover all the damages that you could incur if the injury is a severe one.

If you have not already done so, you should consider getting an umbrella policy that pays out once you've breached the limits of your homeowner's insurance. ❖

LEADING CAUSES OF INJURIES

- Colliding with another person on the trampoline
- Landing improperly while jumping or doing stunts
- Falling or jumping off the trampoline
- Falling on the trampoline springs or frame

PREVENTING INJURIES

- Only one person should use the trampoline at a time.
- Make sure no one is attempting somersaults. A bad landing leading to a back or neck injury can cause paralysis.
- Use pads to cover springs and frame.
- Place the trampoline away from trees or nearby structures.
- Never allow anyone under the age of six to use the trampoline.
- Make sure children are supervised by a responsible adult.
- Add an enclosure designed for trampolines, to help avoid people falling off.

Source: U.S. Consumer Product Safety Commission

Automotive Insurance

Are You Covered for Personal Use of a Company Car?

GETTING A company car is a coveted perk for employees, but it can also cause some coverage issues with your personal auto policy.

The standard auto policy excludes coverage for non-owned vehicles furnished or available for your regular use.

This means you are relying solely on the company's insurance for protection. If for any reason the company's policy does not respond if you are in a traffic accident, you have no coverage.

The company's business auto coverage will also not provide you protection if you use the vehicle outside the scope of the employer's permission. This can leave a big gap if you or a family member use the vehicle in a way that wasn't part of the original agreement.

Nightmare scenario

Your employer allows only you to drive the vehicle. Your spouse takes the company car to the grocery store and on the way she crashes into another vehicle.

Unfortunately, you have no coverage on either your policy or the company's policy. You would be on the hook for damage to the car and possibly the other vehicle, as well as for medical costs for any injuries sustained by either party in the accident.

The solution

If you are given a company car, you should consider adding an "extended non-owned coverage for named individuals" endorsement to your policy. You should name each member of your family of driving age.

This endorsement will fix the gap in coverage when an employee is furnished an auto for their regular use (or even has one available for their regular use out of a pool of vehicles). But, note that this is only for liability coverage and there is not going to be any physical damage coverage for the vehicle.

This endorsement is inexpensive and can provide peace of mind. It is a good idea anytime you have regular access to a vehicle you do not own.

If the insurance company won't add the extended non-owned endorsement (or a similar one) to the personal auto policy, or can't add it, the next option would be to buy a named non-owned policy to fill the gap in coverage.

In effect, this accomplishes the same thing as the extended non-owned coverage for a named individual, but may be more expensive. ❖