

home insurance in California,” compared to other states, said Michael Wara, director of the climate and energy policy program at the Stanford Woods Institute for the Environment. “But the thing is, five years ago, we realized ‘oh yeah, actually in California you can burn down 50,000 houses overnight.’”

The consequences of a continued drip-drip decline of insurers from California could be far more costly in the long run, warns Dan Dunmoyer, president of the California Building Industry.

As an illustration, he points to California history. After the 1994 Northridge Earthquake dealt roughly \$42 billion in damage across Southern California, many home insurers opted to stop doing new business in California entirely.

Because home insurance is a basic requirement for most home loans, the exodus of insurers caused the state real estate industry to grind to a halt, Dunmoyer recalled.

“The whole world stopped,” he said. “That’s the worst case scenario. We’re not quite there yet.”

Can California block State Farm’s retreat?

There are various ideas circulating about what the state can do to keep State Farm in the market, some more drastic than others.

The advocacy group Consumer Watchdog has argued Insurance Commissioner Lara has the power to order State Farm to reverse its decision. That authority, the group said, comes from Proposition 103, a voter-backed initiative passed in 1988 that gave the department the power to approve or deny premium increases.

Wara, from Stanford Law, said the idea was a “non-constructive approach to this problem.”

He said the entire insurance industry likely would sue the state if the California insurance department were to assert that authority, and the lawsuit would take several years to resolve. He said he finds it “hard to believe” that a court would force the industry to keep issuing new insurance policies during the years the case was in court.

“That is a recipe for the entire market falling apart, potentially overnight,” Wara said. “That would undo not just the insurance market, but everybody that has a home mortgage in California, everybody that wants to buy or sell a home in California.”

Last resort for California homeowners

Another sword hanging over the state’s insurance industry: The possible demise of the FAIR Plan, the limited insurance plan Californians can turn to when no standard private company will cover them. It’s funded by levies on private insurance companies that do business in the state.

“A lot of other insurers have stopped selling,” said Amy Bach, executive

director of United Policyholders, a consumer group. “If you talk to an agent or broker today, they’re going to tell you it can be pretty hard to find insurance” outside of the FAIR Plan, Bach said.

As the risk of catastrophic wildfire ramps up across California, that risk falls disproportionately on the FAIR Plan. And if an especially severe fire season renders the plan bankrupt, the tab will fall on those insurers still doing business in the

state in proportion to their share of the market, said Wara, from Stanford.

State Farm, as the largest insurer, would have to chip in the most. That’s one reason the company might have decided to not issue new policies anywhere in California rather than just limiting new policies to places with low wildfire risk. “State Farm is saying ‘we want less of that,’” Wara said.

That problem isn’t unique to California.

In Texas, the increasing severity of Gulf Coast hurricanes has driven tens of thousands of homeowners onto that state’s chartered backstop insurer leading to talk of an inevitable crisis.

In Florida, the crisis may have already arrived. This week, Florida’s insurance commissioner authorized a \$1.25 billion line of credit to that state’s insurer of last resort—now the single largest insurer—in preparation for the coming storm season. □

State officials emphasized that State Farm’s current policyholders will not lose coverage ... This decision will affect people who are shopping for home insurance, in that they will have one fewer provider to choose from.



PatioPros
Patio Covers • Outdoor Living

LICENSE #1066922

530-924-6400 | www.patiopros.com

f i t

Fight The Bite!

- AVOID DAWN AND DUSK
- DRAIN STANDING WATER
- WEAR REPELLENT

ButteMosquito.com

