

Executive Action

Plan Floated to Save State's Homeowner's Market

CALIFORNIA'S INSURANCE commissioner has proposed a plan that aims to rescue the state's insurance market as more and more homeowners can't find coverage and are forced to go to the California FAIR Plan.

The proposal by Commissioner Ricardo Lara comes as homeowners are being dropped in record numbers by their insurers, which are struggling in the face of increasing wildfire claims in the Golden State. This proposal is in its early days and will require cooperation from the state Legislature to enact legislation that will allow these plans to move forward.

The action is desperately needed to keep the insurance market from further deteriorating. In the last year, seven of California's top 12 insurance companies have either paused or restricted how much new business they write. The list includes household names like State Farm, Allstate, Farmers Insurance and Liberty Mutual.

Besides improving access to homeowner's policies, the goal is twofold:

- To coax insurers back into the marketplace, and
- To reduce the burden on the FAIR Plan, which is on a shaky financial footing due to its rapid growth and concentration on policies in areas highly susceptible to wildfires.

The new plan — dubbed "California's Sustainable Insurance Strategy" — will likely not reduce insurance rates for homeowners, as it includes a mechanism for allowing insurers to more easily file for larger rate hikes to account for their rapidly rising claims outlays.

The key provisions

Here are the main provisions of the plan:

Considering climate risks in rates – Lara's executive action would allow insurers to factor in climate risks, including wildfires, when making rates, which they are currently barred from doing. This has made insurers' predictions of future claim costs off the mark.

Ditching rule on rate filings – Under current law, when insurers file with the department to raise rates by 7% or more in personal lines or 15% or more in commercial lines, they can face an "intervenor" in a public hearing. This rule can delay the agency's rate approval for up to two years.

This has limited insurers to filing rate increases of 6.9% a year, but due to the rapidly rising claims costs and claim numbers in California, those increases are not enough to help the carriers stay profitable. Lara's order directs the Legislature to pass a law that would repeal this rule.

Insurer commitment – In exchange for the above, Lara's executive action seeks commitments from insurers to cover all parts of California by writing no less than 85% of their statewide market share in high wildfire-risk communities.

See 'Order' on page 2

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Happy New Year!

2024



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Prevention Steps Can Earn You Premium Discounts

UNDER REGULATIONS implemented in 2022, insurers, when pricing policies, are now required to take into account homeowners' efforts to harden their properties as well as their communities' work to reduce their overall wildfire threat.

The regulations aim to provide rate relief to people who live in wildfire-prone areas and keep their coverage. When quoting policies in high-risk areas, the rules require an insurer to explain the details of how it rates a property's wildfire risk.

The regulations cover 10 measures that homeowners and local communities can take that can help property owners earn discounts on their insurance and reduce their wildfire risk.

As part of this regulation and to help homeowners improve their property's wildfire risk ratings, the Department of Insurance created the "Safer from Wildfires" program. It lists all of the different improvements people can make to their properties to qualify for an insurance discount.



Photo credit: Vulcan Vents

TEN WAYS TO EARN DISCOUNTS ON YOUR PREMIUM

Use a Class-A fire-rated roof – This includes asphalt shingles, concrete, brick or masonry tiles, and metal shingles or sheets. Wood shake shingles don't qualify. [Here's a list of tested and approved materials.](#)

Have a 5-foot ember-resistant zone, including fencing – Remove greenery and replace wood chips with stone or decomposed granite 5 feet around your home. Replace wood fencing with metal. Wood fencing can act like a candle wick leading fire straight to your home, if connected.

Install ember- and fire-resistant vents – Installing 1/16 to 1/8 inch noncombustible, corrosion-resistant metal mesh screens over exterior vents can keep wind-blown embers out of your house.

Ensure 6 inches of space at the bottom of exterior walls – Having a minimum of 6 vertical inches measured from the ground up and from any attached horizontal surface like a deck can stop embers from accumulating and igniting your walls.

Use enclosed eaves – Installing soffits under your eaves can prevent heat and embers from getting trapped and igniting. When enclosing eaves, non-combustible or ignition-resistant materials are recommended.

Upgrade the windows – Multi-paned windows and fire-resistant shutters are more resistant to breaking during a wildfire.

Clear vegetation, weeds and debris from under decks – Clear anything combustible and use materials like concrete, gravel or bare soil.

Remove combustible outbuildings to at least a distance of 30 feet – These include sheds, gazebos, accessory dwelling units, open covered structures with a solid roof, dog houses and playhouses.

Comply with defensible space laws – Follow state and local laws requiring defensible space, including trimming trees and removing brush and debris from the yard. See [CAL FIRE's defensible space page](#) for details.

Work with your community – Discounts are available to homeowners in localities that take steps to harden the community. "Safer from Wildfires" recognizes two community-wide programs, Firewise USA and Fire Risk Reduction Communities. These programs certify localities for measures that protect the community from wildfires.

Continued from page 1

Order Prioritizes Helping Homeowners Exit FAIR Plan

Transitioning out of the FAIR Plan – People who are insured by the Fair Plan and who comply with "Safer from Wildfires" regulations will be given first priority to transition to the open market. These regulations cover a multitude of ways people can "harden" their homes against wildfires, like metal roofs, defensible space and ember-resistant vents.

This as well will likely require legislation being passed next year.

The takeaway

Much of the plan's implementation will depend on how quickly the Legislature acts in passing enabling bills.

Governor Gavin Newsom has also issued an executive order urging regulatory action to expand coverage in underserved areas, account for catastrophe risks in rates, and keep the FAIR Plan solvent.

We'll keep you posted as this story develops. ❖

Motorcycles Are Allowed to Lane-Split; Use Caution

THE CALIFORNIA Highway Patrol has issued a reminder to motorists that state law has allowed lane-splitting by motorcycles since January 2017.

The CHP issued the alert after receiving a number of reports of motorists interfering with motorcyclists who drive between vehicles, which can endanger the lives of the riders.

Lane-splitting is when a motorcycle drives in the space between traffic lanes on public roads and freeways. The law authorized the CHP to issue safety tips about the practice.

The CHP noted that lane-splitting can be dangerous and both motorcyclists and drivers should exercise extreme caution.

Its tip sheet also points out that every rider has the ultimate responsibility for their own decision-making and safety.

California decided to make lane-splitting legal after numerous studies showed that splitting lanes is safer than not splitting when done intelligently, largely because it reduces the chances of a motorcycle rider being hit from behind while stopped in freeway traffic. Most lane-splitting is done during bumper-to-bumper traffic when vehicles are crawling along or at a standstill.

TIPS FOR MOTORCYCLISTS

- Consider the total environment when you are lane-splitting. This includes the width of lanes, the size of surrounding vehicles, as well as current roadway, weather and lighting conditions.
- Danger increases at higher speed differentials. A speed differential is the difference between the speed of the motorcyclist and that of nearby vehicles.
- Danger increases as overall speed increases.
- It is typically safer to split between the far-left lanes than between the other lanes of traffic.
- Avoid lane-splitting next to large vehicles (big rigs, buses, motorhomes, etc.).
- Riding on the shoulder is illegal; it is not considered lane-splitting.
- Be visible. Avoid remaining in the blind spots of other vehicles or lingering between vehicles.
- Help drivers see you by wearing brightly colored/reflective protective gear and using high beams during daylight.

Finally, the CHP advises drivers and motorcyclists alike to help keep themselves and all road users safe by following this advice:

- Check mirrors and blind spots, especially before changing lanes or turning.
- Signal intentions before changing lanes or merging with traffic.
- Be alert and anticipate possible movements by other drivers.
- Never ride/drive while impaired by drugs, alcohol or fatigue.
- Be courteous and share the road. ❖

TIPS FOR CAR AND TRUCK DRIVERS

- Intentionally blocking or impeding a lane-splitting motorcyclist in a way that could cause harm to the rider is illegal. This includes opening a vehicle door or squeezing the gap by moving your vehicle closer to the lane markers.
- Drivers in the far-left lane should move to the left of their lane to give motorcyclists ample room to pass.



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Minimizing Risk

Hiring a Contractor? Make Sure They're Insured

WHEN YOU hire contractors, electricians or other home repair specialists, you may shop around on price and go with the least expensive one.

But if a contractor comes in with a bid that is much lower than the competition, it could mean they are cutting corners — and one of the top ways for them to do this is in the insurance they carry, or are supposed to carry.

Consider these scenarios:

- An electrician's faulty work starts a fire that guts your kitchen and dining room.
- A contractor's worker breaks a leg while working on your home.

If either of these events occurs and the contractor doesn't have insurance, you'll be on the hook for the damages.

Even if a contractor tells you they are insured and bonded, you need to verify that it's true. After all, they could be stretching the truth by just having their vehicle insured, and they could be bonded for another project they have worked on in the past.

While your homeowner's policy provides some liability coverage, it may not cover all the expenses in an especially costly event.

The first thing you should do when hiring a contractor is to ask to see their certificate of insurance. If they don't have it, they can call their insurance agent and ask them to send it to you. A certificate doesn't provide all the insurance details, but it's a good start.

However, if you are having major work done on your home, you need to delve further. You should look for the following:

Coverages on certificate of liability insurance

Current dates – Check to see that the coverage is current. If it's past the policy expiration date, then it doesn't tell you if they currently have insurance.

General liability coverage – The contractor should have this insurance, which covers bodily injury to you or third parties and property damage arising out of their operations.

Check also to see if their coverage includes “products and completed operations,” which covers damage that may arise out of their finished work. If this is not included, then the contractor's liability ends when they finish the job.

Workers' compensation – This coverage is mandatory for all employers, except under very rare circumstances. It covers medical expenses and lost wages if an employee is injured on the job. If the contractor doesn't have this coverage, you could be on the hook for these costs.

Sometimes small contractors will tell you that they don't need to have it, but that is typically true only if they have no employees and it's a sole proprietorship.

Other coverages to look for

Builder's risk – If you are building a new home or adding on to your home, this provides protection for the new construction and building materials while it is being built.

While most contractors will buy this coverage, some of them will ask the homeowner to do so. Make sure you are clear who should buy this coverage and, if it is the contractor, be sure to ask for proof that it's been purchased.

Fidelity bonds – The most common type of bond you could encounter provides protection if a contractor's workers steal from you.

But while better than nothing, actually getting paid from these bonds can be somewhat difficult.

It's probably a better bet to lock up or remove your valuables when contractors are working in your home. Although you have hopefully picked a contractor you trust, he or she is probably not going to be the only one that enters the job site. ❖

