

ARTICLES

A Hard Market for Home Owners Insurance

By Bernard Lauper

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In prior communications I had predicted that obtaining coverage for home insurance would be more difficult and expensive in California due to the huge and unexpected losses in the Wine Country fires. Add the fires experienced in Southern California and the most recent fires in Northern California and you have the necessary ingredients for a hard market for home insurance.

What is a hard home insurance market? It is an insurance market where it is difficult to find coverage and where pricing is increasing. For many home owners a hard market can also mean less coverage for more money!



Many insurance companies are currently cancelling existing policy holders who have had claims, are in a high danger zone or in a location where the insurance company has too many homes in a risky area. In some cases the reason for the cancellation is entirely unclear and no explanation is forthcoming.

Options for finding new or replacement coverage have also dramatically changed. Traditional insurance companies are being highly selective in accepting new clients. As a result, we are frequently tapping into our relationships with what's called nonstandard markets (London) to obtain coverage for homes in high danger areas. It's coverage, but at a cost. **A nonstandard market typically offers less insurance coverage and may cost 3-4 times as much as a standard carrier.**

Anyone who is looking for home insurance coverage in high risk and high claims areas can help their insurance broker find the best coverage at the best price by:

- Providing current copies of all existing insurance policies. An insurance company is more likely to provide a home insurance quote if they are also pricing in auto, jewelry, fine arts, and umbrella coverage. In addition there will be discounts provided on the home insurance for bundling the additional insurance with the one insurance company.
- Accounting for any losses in the last three years including what steps have been taken to ensure a similar loss will not occur again. Example: a loss occurred due to burglary, a central alarm has since been installed.
- Documenting any risk mitigation steps you've taken. Insurance underwriters want to know that your home is a good risk. Things like updates to plumbing and wiring, additions of gas shut-off valves and water monitoring devices can help "sell" your home to the underwriter.

For those helping clients buy a house make sure they check with their insurance broker before buying the home to determine if there will be any issues in insuring the home. This will prevent any nasty surprises.

A hard insurance market for homes will probably last at least 2-3 years assuming no additional catastrophes, and all home owners should be prepared for increases to the cost of their home insurance.

We're happy to discuss with you and your clients a risk management review they can take to lessen the effect of the hard insurance market, [so drop a note](#).

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