



## NEWSBLAST

### Homeowner's Insurance

# Commissioner Orders Halt to Policy Non-Renewals

**C**ALIFORNIA HAS put a moratorium on insurance companies dropping coverage of homeowners in areas deemed at risk of wildfires.

Insurance Commissioner Ricardo Lara was granted the right to issue the moratorium under a law that he authored as a state senator in 2018. The law gives the commissioner the authority to provide temporary relief from non-renewals to residents living near a declared wildfire disaster, and it's the first time the measure has been invoked.

While existing law had prevented insurers from non-renewing policies for homeowners who suffered a total loss, the new law established protection for those living adjacent to a declared wildfire emergency area who did not suffer a total loss.

Lara's order came in response to a growing number of insurers deciding to drop coverage of homes in or near wildfire-prone areas, or requiring additional safety measures in order to continue coverage.

The result has been that many homeowners

saw their coverage dropped and then were forced to find new coverage in a market that has seen a number of insurers pull back.

In early December, Lara issued a moratorium on insurers refusing to renew coverage for about 800,000 homes affected by wildfires in the last two years in seven counties.

He extended those protections two weeks later to more than 200,000 additional homes in burn areas in San Bernardino, Riverside, Ventura, Solana and Contra Costa counties.

The moratorium lasts for a year, and it only covers people who live either inside or next to the perimeter of one of 16 wildfires that burned in California in October 2019.

Since 2018, there has been a steady flow of insurers not renewing homeowner's policies for residents in areas with high wildfire risk.

In 2018, the number of non-renewals rose by more than 10% in seven counties from San Diego to Sierra. In addition, the number of homeowners that have been unable to find insurance in the open market and had to purchase coverage by the California FAIR Plan

(Fair Access to Insurance Requirements Plan) has risen sharply.

The U.S. Forest Service estimates that more than 3.6 million California households are located in the wildland urban interface, where wildfires are most likely to occur.

### FAIR Plan expansion

Lara also ordered that the California FAIR Plan expand its coverage to offer a full homeowner's policy, in addition to its current limited fire-only policy.

FAIR Plan coverage can cost two or three times as much as traditional insurance and only offers bare-bones coverage. Its customers typically have to buy additional insurance to cover theft and other risks.

The commissioner also ordered the FAIR Plan to increase the Dwelling Fire combined policy limit from \$1.5 million to \$3 million, in recognition of higher home values, by April 1.

The FAIR Plan sued Lara in Los Angeles Superior Court, demanding that both orders be blocked, on the grounds that the order to offer comprehensive coverage violates its charter. ❖



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## Interactive Dashboards

# The Newest Source of Distracted Driving

**S**AFETY EXPERTS are raising concerns about the latest evolving distraction in cars: the interactive dashboard.

You already know that fiddling with your smartphone while driving is illegal, highly dangerous and can lead to a serious accident or death. These evolving displays, however, can be just as distracting, leading to the same dangers.

The interactive screens are highly popular and carmakers will continue rolling them out to boost revenue and attract buyers. Auto manufacturers say these dashboards will make driving safer because the voice controls and large touch screens will keep drivers from fumbling for their phones.

But David Strayer, a professor of cognition and neural science at the University of Utah who has authored a number of studies on distracted driving, disagrees.

He says that interactive dashboards “are enabling activities that take your eyes off the road for longer than most safety advocates would say is safe.”

His research shows that reading the average text message, which can be done on many new interactive car screens, takes about four seconds – enough time to distract a driver from what’s happening on the road.

And as technology continues evolving, so do the dangers. There are systems on the market that:

- Allow drivers to sync their phones and check for mentions of them on Twitter – and to even push those tweets to the dashboard.
- Alert the driver when text messages arrive and they can press a button to hear the message read aloud.
- Allow the driver to upload a photo taken on a smartphone and request mapping to the place the picture was taken.
- Allow the driver to sync their smartphone and get a scaled-down version of the phone on the display.
- Don’t rely on syncing with smartphones, and instead mimic what phones can do, like checking for nearby attractions while on the move.

### Few governing laws

The laws on dashboard displays are spotty and only a few states have statutes that forbid the use of videos on the dashboard display that are not used for navigation – like cameras for reversing the vehicle.

Meanwhile, federal motor vehicle standards only require that screen brightness be adjustable. ❖

## WHAT YOU SHOULD DO

While there are few laws in place governing the use of these systems, you should use common sense and use them as you would legally use your phone.

The National Highway Traffic Safety Administration recommends the following to reduce distraction in cars with interactive dashboards:

- Don’t use functions that include photographs or moving images unrelated to driving.
- Any task should require less than six taps in order to be completed.
- Drivers should be able to complete tasks in a series of 1.5- or 2-second glances, for a total of no more than 12 seconds.

A University of Utah research assistant introduces a participant in new distracted driving studies to special devices designed to gauge mental distraction during road tests. *Credit: AAA Foundation for Traffic Safety*



## The Wealth Trap

# Underinsuring Liability and Overinsuring Assets

**I**F YOU ARE accumulating wealth quickly and live the comfortable life with a large house, luxury car and other expensive assets, you've no doubt already insured all of those belongings.

But while most high-net-worth individuals have their possessions properly covered, they often overlook their largest risk: liability. In fact, they often overinsure against minor threats and underinsure for major ones.

Many people will carry low minimums on their auto and homeowner's policies, which leaves them exposed to any liability lawsuits that may surface. If the maximum payout on your homeowner's or car insurance is less than the attachment point of your umbrella policy, you could be left having to cover the gap between the two.

Look at it this way: If you wreck your Porsche it won't imperil you financially. But if you also maim or kill someone in the process of wrecking the car, your wealth could be put in jeopardy without the proper protection.

That's why it's of the utmost importance that you carry the proper liability coverage limits on your auto and homeowner's policies, so that you don't have a gap that can leave your personal assets and funds exposed.

Further, if you are a public figure or sit on any boards of directors or do charity work, you may want to consider increasing your limits and supplementing your coverage with an umbrella insurance policy to insure against any lawsuits stemming from decisions you may make in those capacities. Below are some scenarios and repercussions.

### **Umbrella shortfall**

You're involved in a car accident that leaves the occupant of the other car in serious condition, and she will need extensive operations and likely years of physical therapy.

You've insured your car with a liability limit of \$300,000 and you have an umbrella policy with a \$1 million limit.

That umbrella limit is not nearly enough to cover the bills for this

injured individual, whose care costs will likely surpass \$3 million easily in the next four years.

That would leave you \$2 million out of pocket.

### **Board liability**

You sit on the board of a local non-profit and volunteer your time on the board without remuneration.

A former vendor sues the entire board for breach of contract after it had voted to terminate their contract. The matter is brought to trial and a judge orders that all board members personally pay \$100,000 each for their actions.

If you don't have a personal umbrella policy, you'd be on the hook and out of pocket for the entire amount.

### **Party foul**

You have a Super Bowl party at your house and about 20 guests, one of whom slips on some spilled wine on your deck and throws out his back and can't work for three months.

He sues you for negligence and the homeowner's insurer negotiates a settlement of \$250,000. Your policy has a \$100,000 liability limit, but your umbrella policy doesn't kick in until \$300,000. That leaves you paying \$150,000 out of pocket.

### **The takeaway**

Unfortunately, if you have money, you might as well be walking around with a target on your back. In our litigious society one misstep or mistake can result in an expensive lawsuit and, if it goes to trial, the costs escalate tremendously and your fate rests in the hands of a jury or judge.

Talk to us about a policy that would be right for you. Excess liability policies for high-net-worth individuals will often include the costs of unlimited legal defense and legal counsel. ❖



## Homeowners' Associations

# Belong to an HOA? Know Your Insurance Obligations

**I**F YOU RESIDE in a community that's part of a homeowners' association (HOA), you should understand what the association's insurance obligations are relative to your own.

If you don't carefully assess this dynamic, you could find yourself with a coverage gap if you assume that the association's insurance covers something it actually doesn't.

HOA rules usually require that all residents within the association's jurisdiction become members and pay a fee. Associations can create their own bylaws for the community or building, and sometimes hire an outside property management company in order to enforce maintenance and other standards.

### Know who is responsible for what

Your goal should be to ensure you have no coverage gaps. Start by reviewing your HOA's bylaws and other documents, like CC&Rs.

In some cases, your HOA's rules might stipulate how much of a certain type of coverage you should carry or even which company you need to buy your policy from. It's important to know this so you can judge whether a given condo or association is the right fit for you, and to avoid penalties down the road.

### Condominiums

The HOA owns the building and you own the property inside your condo. Typically, the HOA is responsible for:

- Main utilities running through the building,
- Elevators and stairwells,
- Garbage facilities, and
- The lobby and hallways throughout the building.

For condominiums, two types of HOA coverage are common:

**Studs-out coverage** – The most common condo HOA coverage essentially includes everything outside of your unit's drywall.

The insurance would pay for damage to the building, like leaking roofs, an elevator breakdown or a tree falling into it.

Your insurance likely would cover everything inside your unit, including structural elements such as walls, fixtures and flooring.

**All-in coverage** – This protects the basic building and common areas, plus the structural elements and fixtures in your own unit.

HOA all-in coverage likely means you'd need less coverage against property damage, as the only property you'd be responsible for is personal belongings.

Just don't skimp on the personal liability portion. A water leak or condo fire can become a much bigger loss in a condominium building since both tend to spread to other units.

If that happens, it's no longer a simple home insurance claim, but a potentially costly liability claim.

This is why many HOAs require homeowners to maintain a minimum level of personal liability.

### Homes

If you own a single-family home, you will need to have traditional home insurance, as the HOA does not insure your dwelling.

The HOA most likely only owns community amenities, such as:

- Recreational facilities, like a clubhouse and tennis courts,
- Gates to or inside the community, and
- Streets, if they are private.

Your policy would include the pipes leading from the street into your house, your yard up to the street, the dwelling and contents.

### The underinsured HOA

Sometimes HOAs don't carry enough insurance and members have to make up for the shortfall through assessments, which can be steep in the event of a significant loss.

For HOA members, insurers offer "loss assessment" coverage, which will pay your share if the association does not have sufficient insurance to cover a loss.

### One last thing...

If you are a member of an HOA, be sure to ask us about a premium discount. Even if your current insurer doesn't offer an HOA discount, we may still be able to negotiate a lower price. ❖

