

[Holy Smokes, Increased Insurance Premiums?](#)

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We've all seen the pictures and heard stories about the increasingly catastrophic wildfires that have ravaged California since 2017. Luckily few of us experienced the fires firsthand and even fewer have had losses. So why is our insurance being affected so drastically?

The long and the short of it is as follows:

- Insurance models are designed to handle an average amount of losses throughout a year and maybe one catastrophic event every now and then...not 5+ catastrophic events within 3 years. Many carriers have paid an unusual amount of "total loss" claims.
- As decided by California law, carriers must have a certain amount of reserve funds set aside to be in business. Paying out these large claims depleted those reserves, so to stay in compliance with the law, they must raise their premiums to make up the funds.
- What most people don't know is that insurance carriers also have to buy insurance from what is called reinsurance companies. These companies have been impacted by the catastrophic events world-wide and have increased the premiums that the insurance carriers must pay. This price increase then cuts into an insurance carriers' reserve funds.
- At the end of the day, insurance companies are still businesses and are going to do what's profitable for them. This has led to many carriers deciding that they don't want to work with businesses in rural areas (i.e. wineries, vineyards & farms), because they believe there is too high of a risk for a total wildfire loss.

What can you do to help your company lessen the effect of these changes?

- Be proactive about the risk of wildfire at your location(s).
 - Create 100ft of defensible space around buildings
 - Have fire extinguishers accessible & regularly checked
 - Create a plan for a wildfire is in your area
- Communicate with your broker about what actions you're taking so they can relay the information to carriers & make a case as to why your business is worth the perceived risk.
- Explore your options
 - Not all insurance brokers have access to the same carriers, which means you could be missing out on options that could be better for your operation at this time.
 - Look for a broker that is an expert in the industry and is taking a proactive stance on addressing the changing insurance market. They should have experience assisting clients across the wine spectrum and possibly have a specialty program devoted to the industry.

If you'd like to have a further discussion about this topic or are curious about what options are out there, you can contact Audrey Mora, Commercial Risk Advisor at Morris & Garritano Insurance | p: 805.543.6887 ext. 303 | amora@morrisgarritano.com.