



Monthly Newsletter

September 2023

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Obtaining property insurance in California is becoming much more difficult and expensive.

Insurance companies are leaving California and those that remain are being very selective about which properties they insure.

As most people know, wildfires in California have resulted in significant property damage over the past few years, which of course costs the insurance industry significant sums of money.

On top of that, the cost to repair damaged or destroyed homes is skyrocketing as a result of inflation plus the always increasing regulatory costs that come with new laws every year. You cannot simply repair or replace what existed before, but you must instead build something that complies with all of today's regulatory requirements, which is of course not cheap.

In a market economy, this all results in rising insurance costs, as we have seen.

Our leaders in Sacramento, in their infinite wisdom, have decided that this is unacceptable and therefore they regulate the price of insurance in California. In an effort to keep insurance prices affordable, our leaders require insurance companies to negotiate rate increases with an insurance Commissioner. On top of that, the regulator does not allow insurance companies to consider what losses will probably be in the future, but may only use past losses to set rates.

The result of all this is that insurance companies are leaving California. Those that remain are making it difficult to obtain new coverage.

At California West, in many instances we are being asked to take photos of properties that we manage before our clients can even obtain a bid from an insurance company.

To address all this, Governor Newsom has instructed his insurance Commissioner to allow insurance companies to consider future potential losses when setting rates. Basically: a good first step, but hardly a solution.

Deck inspections: reminder and experiences.

As discussed in prior months, deck inspections are now a thing in California.

To recap, buildings with 3 or more units that have any of the following are required to have an inspection every six years:

- Balconies, decks, porches, stairways, walkways, and entry structures that extend beyond exterior walls of the building and that rely in whole or in substantial part on wood or wood-based products for structural support or stability; and
- A walking surface that is elevated more than 6 feet above the ground level; and
- Balconies designed for human occupancy or use.

The inspections must be performed by a licensed architect, licensed civil or structural engineer, a contractor with an A, B, or C-5 license and five years of experience, or a certified building inspector or building official who is not employed by the jurisdiction where the inspection is performed.

To help our clients complete these inspections, we have found an out of area contractor who specializes in this new area of work. We do not know of any local contractors who perform this work.

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For properties where it is unclear to us as to whether the property falls under the new law, the contractor will charge a discounted rate if he goes to the job and finds that the building is exempt. The contractor will then issue a report that we can use to justify not getting reports in the future.

Once complete, the reports are sent to us and we forward them to our clients.

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This is not the sort of law where we must furnish reports to any regulator or agency. We must have the reports on file and if an accident happens in the future then we will no doubt be asked to prove that the inspection was done in a timely manner. However, barring some sort of future accident or event the reports themselves are between us and the contractor.

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We have now had a handful of properties where there have been mandatory recommendations by the deck inspector. This is uncommon in the overall scheme of things but it is happening. When this happens, we work with the property owner to address any concerns that the report identifies and then there is a fee from the contractor to go out and re-inspect when the work is done.

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The contractor doing the inspections is not in the business of performing any necessary work and is simply inspecting for potential health and safety problems. We must work with our clients to find an appropriate contractor to do any necessary work.

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