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A firefighter passes a burning home as the Kincade Fire rages in Healdsburg, Calif., on Oct. 27, 2019. California Insurance Commissioner Ricardo Lara recently announced his latest plan aimed at keeping home insurers in California amid increasing risks from climate change. (AP Photo/Noah Berger, File)

By Jenna Abbott

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Abbott: The insurance crisis is killing affordable housing — and intervenor abuse is making it worse

California's property insurance crisis began with a series of catastrophic wildfires, and its impact has been devastating. In response, insurance companies stopped writing new policies and began canceling existing policies citing risk, smaller carriers fled the state, and the California FAIR Plan—our insurer of last resort—became overwhelmed.

Access to coverage evaporated not only for homeowners but also for small businesses, farmers, builders, and housing providers.

For affordable housing developers, this crisis is catastrophic. Projects designed to serve Californians most in need are being delayed or canceled because insurance is either unavailable or unaffordable. Even when coverage can be secured, premiums have skyrocketed—threatening the financial viability of both new construction and existing communities. In a state that must build 2.5 million new homes by 2031, this instability is unsustainable.

The numbers tell the story:

- Insurance costs for affordable housing developments have jumped 50% to 500% in just two years.

- One Los Angeles nonprofit saw its premium rise from $94,000 to $519,000 in a single year for a 100-unit supportive housing project—an increase of 450%.
- Across California, per-unit insurance costs that were once $300–$500 annually are now $1,800–$2,400 per unit in high-risk areas. That's more than a fivefold increase, adding hundreds of thousands of dollars to operating budgets and millions to development costs.

When insurance costs balloon like this, projects don't pencil out. Lenders hesitate, underwriting collapses, and shovel-ready developments stall. Every dollar diverted to insurance is a dollar not spent on building homes or providing resident services.

For affordable housing providers—who cannot raise rents to offset costs—this is an existential threat. Across California, developers are walking away from projects because insurance costs have blown holes in their pro formas. And the longer this crisis drags on, the more communities lose out on desperately needed housing.

One hidden driver of this dysfunction is California's outdated intervenor process.

This system rewards professional "consumer advocates" for slowing down the rate review process, often adding a year and a half of delay to approvals.

According to the Department of Insurance, filings involving intervenors take 529 days on average—more than twice as long as those without. During that time, insurers hesitate to write policies, leaving affordable housing developers in limbo. Financing collapses, construction timelines slip, and communities that desperately need housing are left waiting.

Meanwhile, intervenors have collected $14.3 million in compensation since 2013, with 90% going to one group—Consumer Watchdog—which has no consumer members. These costs are ultimately passed on to policyholders, including affordable housing providers, through higher premiums. This is not consumer protection—it's a barrier to housing production.

Commissioner Lara's proposed reforms are common sense:

- Require intervenors to make a substantial contribution to be compensated.
- Eliminate payment for duplicative work.
- Increase transparency while preserving meaningful public input.

No other state has such a process, and California can no longer afford it.

Reforming the intervenor system is not just an insurance issue—it's a housing issue and it demands urgent action. Fixing the insurance market—and ending intervenor abuse—is essential to meeting our housing goals. Maintaining the status quo means fewer homes, higher costs, and continued failure.

Lawmakers and regulators must move quickly to adopt these reforms and restore stability to the insurance market. Every day of delay means more canceled projects, more families without homes, and more broken promises to Californians who need housing the most. It's time to act.

Jenna Abbott is the executive director of the California Council for Affordable Housing, a nonprofit organization dedicated to advocating for the increased production of affordable housing across the State of California