



## NEWSBLAST

## Insurance Crisis

# L.A. Wildfires: How They Will Affect Your Coverage

**T**HE FIRES that have ravaged large swaths of homes in Los Angeles are likely to significantly alter California's homeowner's insurance market and policyholders may need to brace themselves for higher premiums, policy non-renewals and uncertainty.

These wildfires will result in record payouts by insurers. The Eaton and Pacific Palisades fires will likely cause between \$35 billion and \$45 billion in insured losses, according to a preliminary estimate released Jan. 16 by catastrophe modeling company CoreLogic.

So many insurers have in recent years already left the state or drastically curtailed the number of policies they write due to the wildfire threat, and the scale of these fires could push more of them to do the same.

Besides the hit to insurers, the L.A. fires are likely to have severe consequences for the state's market of last resort for home insurance, the California FAIR Plan, which said it may see more than \$3 billion worth of claims from the wildfires.

The FAIR Plan does not have the resources to cover damages above \$2.3 billion at this stage. If its ultimate claims exceed that, all homeowner's insurers in the state will be surcharged — and likely will pass those fees on to policyholders.

You may have noticed that your homeowner's insurance premium has risen in the last few years. The following explains why you should expect more rate hikes.

## The state of the market

The homeowner's insurance market in California is in a state of crisis. Dozens of insurers have pulled out of the state and the ones who have opted to stay have dropped policies in high-risk areas or they have gotten more selective about the properties they are willing to insure.

Some factors that can prompt a carrier to refuse coverage are the age of the roof (10 years

for composite) or the age of the home (some insurers won't insure 25-year-old homes). Also, homeowners who have recently filed claims are often dropped by their insurers and find it hard to secure new coverage.

Besides the wildfire risk, the cost of repairs and rebuilding has skyrocketed in the last few years, which has driven rates higher.

The bottom line: The market was already turbulent before the L.A. fires.

## Insurance rates

The size of rate increases over the past few years has been tempered by laws that restrict the rate hikes insurers can request with the Department of insurance.

That's depressed rates for decades and they have not kept pace with rising costs. In fact, California has the 17th lowest homeowner's insurance premiums in the country, an average of \$1,381 — \$800 a year less than the national average, according to *Bankrate.com*.

The Department of Insurance in late 2024

See 'FAIR Plan' on page 2



**HAVE QUESTIONS ABOUT  
YOUR COVERAGE?  
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## The FAIR Plan Is in a Precarious Financial Position

released new rules that will allow insurers to take into account the cost of expected future natural catastrophes when setting rates and accounting for the cost of reinsurance. A number of insurers had indicated before the wildfires that they were likely to start writing more business in the state thanks to the new rules.

### Risk to the FAIR Plan

As insurers leave the Golden State or refuse to cover homes in wildfire-prone areas, more homeowners have been forced to get coverage with the FAIR Plan, which has put it in precarious shape.

As of Sept. 2024 (prior fiscal year-end), the FAIR Plan's total exposure was \$458 billion, a 61.3% increase from Sept. 2023.

Those sums are astounding, considering that the Plan collected just \$1.26 billion in premium last year. Also, it had \$600 million in cash on hand as of Sept. 30, 2023, and \$2.5 billion in reinsurance (which is insurance for insurance companies).

Current estimates are that the FAIR Plan will likely face more than \$3 billion in claims from the fires.

Under state law, if claims exceed the Plan's reserves and reinsurance, it can charge all private insurers in the state based on their portion of the insurance market for the first \$1 billion above what the FAIR Plan can pay — and they can collect half of that from their policyholders.

For any funds needed above \$1 billion, the FAIR Plan can seek

approval to assess all policyholders in the state. Any of those surcharges would be on top of premiums policyholders pay.

All that said, there is also the possibility of the Legislature stepping in and passing legislation that would fund the FAIR Plan to avoid surcharges, as they would be a bitter political pill to swallow.

### What you can do

At this point, it's too early to tell how insurers will react, but we are here to assist you with your homeowner's insurance policy. If you are dropped by your insurer or your rates are increased substantially, we can look for other coverage.

If we can't find a carrier licensed in California, we can check with the "non-admitted" market, which includes insurers that are not licensed in the state but are still backed by stable companies like Berkshire Hathaway and Lloyd's of London.

Their policies may differ slightly, like limits on certain types of claims or higher deductibles for some events.

You should take steps to make your home "insurable." For example:

- If you have an old roof that needs replacing, replace it.
- If tree branches are hanging over your roof, cut them back.
- Install devices in your home that will detect leaks and shut off your water if there is a leak. Leaks are a major cause of claims. ❖

## Carriers That Have Left California or Curtailed Underwriting

Insurers that have pulled out, stopped taking on new clients, non-renewed policies or curtailed where they will cover homes:

**Allstate** — Paused its sales of new home insurance policies in California in 2022 due to wildfires and higher costs of doing business in the state.

**American National** — This Texas-based insurer said last year it would stop offering homeowner's insurance in California.

**AmGUARD** — This subsidiary of Berkshire Hathaway stopped writing homeowner's policies in California in 2023.

**Chubb** — Drastically cut back on writing homeowner's insurance policies, citing wildfire risk and the state's regulatory environment.

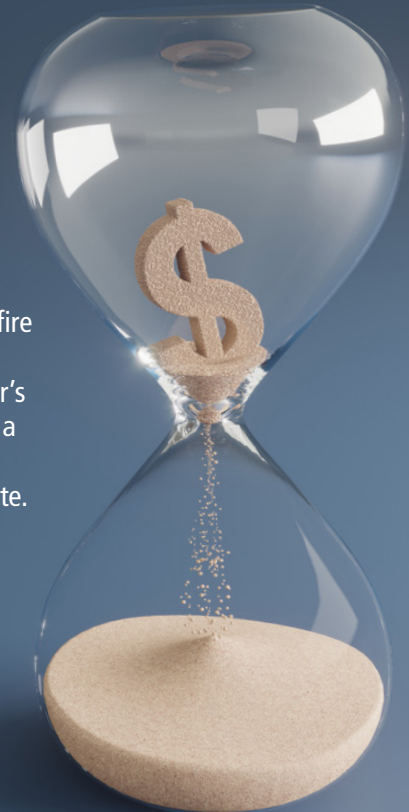
**Farmers Insurance Group** — After announcing a moratorium on new homeowner's policies, the company in December 2024 said it would start accepting new clients on a limited basis.

**Kemper Insurance** — Kemper non-renewed its policies in 2024 and has left the state.

**Nationwide** — The company's subsidiary, Nationwide Private Client, said last year it would non-renew all of its policies in the state by June 2025, according to the *San Francisco Chronicle*.

**State Farm** — The largest homeowner's insurer in the country announced last year it would non-renew 72,000 insurance policies in the state. It increased rates an average of 30% in 2024.

**The Hartford** — This national insurer stopped writing new homeowner's insurance policies in California in early 2024.



# Disaster and Insurance Assistance Resources



**I**F YOU'VE been affected by the Los Angeles wildfires, at InterWest Insurance Services our hearts and prayers are with you and we stand ready to assist you with claims and any insurance questions you may have.

Filing a claim after a devastating loss can be intimidating and it's a time filled with uncertainty about lodging, when work can get started, and how long rebuilding will take. Rest assured we stand with you and can assist with your claims.

Another great resource is the Department of Insurance, which has set up a [resource page](#) that includes information like tips on filing homeowner's or renter's insurance claims, and how to avoid getting scammed by people who promise to do work before your insurer can approve it.

It also includes an evacuation check list and a list of insurance company contact information.

[Check out the Department of Insurance Resource Page](#)

If you have to file a claim or have insurance questions, please call your InterWest broker first for assistance.

We have access to your policies and can guide you in your next steps if you have to file a claim.

Finally, the Department of Insurance has been offering in-person assistance through workshops and it's assisting at three disaster recovery centers that Los Angeles County has opened at three locations (see box and link on the left).

Between assistance from InterWest and the Department of

Insurance, you should be able to handle the claims process with confidence and an understanding of your rights and you'll be equipped to avoid some of the pitfalls that can occur along the way. ❖

## Disaster Recovery Centers

### City of L.A.

UCLA Research Park West  
10850 West Pico Blvd.  
Los Angeles, CA 90064

### Hours of Operation:

9am – 8pm daily

### City of Pasadena

Pasadena City College (Foothill  
Campus Location)  
Community Education Center  
3035 E. Foothill Blvd.  
Pasadena, CA 91107

### Hours of Operation:

9am – 8pm daily

### City of Altadena

540 W. Woodbury Rd.  
Altadena, CA 91001

### Hours of Operation:

9am – 8pm daily

All centers will remain open until further notice.

[Click here for more information](#)



## Emergency Planning

# Preparing a 'Go-Bag' in Case of Sudden Evacuation

**A**S NATURAL catastrophes continue growing in number and severity, everybody should be prepared for quick evacuation in case of emergency. Even if you don't live in an area known for natural disasters, you should always be prepared in case you have to make a sudden evacuation.

While there is only so much planning we can do for this type of event, at the very least you should consider packing a "go-bag" of emergency supplies that can help keep you safe while finding a place to retreat to.

When you need to leave in a hurry, depending on how much time you have, you may be able to pack some essentials, like important family documents, but if you have to move fast, a go-bag may be the only thing you have time to grab.

Every member of your family should have a go-bag, which should be easy to carry like a duffle bag or a decent-sized backpack.

First off though, you should store vital information on a flash drive, or better yet, on the cloud, like Dropbox. Take photos or scans of the following:

- All the rooms in your home, and all your valuables
- Driver's license
- The deed to your house
- Your will and/or trust
- Proof of insurance
- Medical records
- Passports
- Social Security cards
- Birth certificates
- A list of personal contacts, addresses and phone numbers
- Your kids' immunization records
- Your pets' paperwork for vaccinations and medical history. ❖

## WHAT YOU SHOULD PACK AND HAVE READY TO GO

- Water (one gallon per person per day).
- Hand-held water filter (find one at an outdoors store).
- Originals of essential documents like passports, birth certificates, wills and driver licenses.
- Cash, because sometimes when power goes out you cannot charge items during natural disasters.
- Non-perishable food.
- First aid kit.
- Hygiene products like soap, deodorant, toothbrushes and toothpaste, hand sanitizer, feminine supplies, contact lens solution, and shampoo.
- Medications.
- Household chlorine bleach and medicine dropper to disinfect water.
- Fire extinguisher.
- Matches in a waterproof container.
- Flashlight.
- Paper cups, plates, paper towels and plastic utensils.
- Batteries.
- Whistle.
- Phone chargers and portable external battery chargers.
- Two changes of clothes.
- Diapers, if necessary.
- Pet supplies.
- Portable battery-powered radio with extra batteries, in order to get news updates if cell towers and phone lines go down.
- Paper and pencil.
- Books, games, puzzles or other activities for children.
- Dust mask to help filter contaminated air, and plastic sheeting and duct tape to shelter-in-place.
- Moist towelettes, garbage bags and plastic ties.
- Basic tools (wrench, pliers, hammer, screwdrivers).
- Manual can-opener for food.
- Local maps.

