



California Backstop Insurer Falls Short

Some homeowners get poor service and inadequate payoffs in the wake of fires

BY JEAN EAGLESHAM AND NICOLE FRIEDMAN

LOS ANGELES—Susan Spira called her insurer days after wildfires destroyed her family's home—only to be told her policy had been canceled. The reason: In the chaotic days after the house burned to the ground, her monthly premium hadn't been paid.

"I nearly fell apart," she said. Spira, a real-estate lawyer, fought back and the insurer, California's Fair Plan, agreed her Pacific Palisades house was covered when the infernos sparked.

Then an upfront payment of \$562,500, half the \$1.125 million coverage for her four-bedroom home, was sent to her by check with no tracking. It got lost in the mail.

Spira's experience with Fair Plan wasn't unusual, according to homeowners and consumer advocates, who have reported problems including refusals to treat toxins from smoke, delayed payments and dire customer service.

Fair Plan, California's statechartered insurer of last resort, has taken on an outsize role in the aftermath of the infernos. Originally set up as a backstop for hard-to-insure areas, it became the only option for hundreds of thousands of homeowners,

It more than doubled its number of policyholders—and tripled its exposure to losses— in a little over three years. Fair Plan filled the gap as commercial insurers such as State Farm canceled policies, citing the threat of wildfires and regulated premiums that weren't keeping pace with the risk.

The plan at the end of September insured more than 50,000 homes in ZIP Codes affected by the fires.

'Overstretched'

"Insurers of last resort weren't built to serve this many people," said Amy Bach, executive director of United Policyholders. "The issues we're seeing in California with delays and poor service stem partly from the plan being badly overstretched."

A spokeswoman for the plan said it can't comment on individual claims, but is handling them in accordance with state law and "not experiencing delays in responding to policyholders." Most payments for claims are made electronically and it is rare for checks to go astray, she added.

Most states have an insurer of last resort model like Fair Plan that offers a basic level of coverage for homeowners rejected by private insurers. Many plans are growing rapidly, as insurers pull back from disaster-prone areas.

In most cases, taxpayers aren't directly on the hook. Plans are often state-created, but funded and influenced by the insurance industry.

Insurers, who backstop the plan financially in return for the right to operate in the state, have the majority of seats on the California plan's governing committee, according to plan documents.

Fair Plan's approach is tougher than many other insurers', with claims paid for "permanent physical changes," such as melting or staining only, according to Dylan Schaffer, a lawyer for policyholders suing the insurer.

Eric Bollens's parents' home in the Palisades survived the fires, but testing after the fires revealed high levels of lead, arsenic, chromium and barium. Bollens said Fair Plan told his parents that it wouldn't cover the cost of the testing or professional remediation services.

"You abate lead contamination—you don't clean it with a mop and a vacuum," Bollens said.

A spokeswoman for California Fair Plan said its claims adjusters are expected to abide by state laws. The plan will pay for recommended testing or treatment, if it is warranted, she added.

The state's insurance commissioner said insurers shouldn't deny smoke damage claims without an investigation, or require customers to pay heavily to investigate a claim.

Lost checks

The California plan pays homeowners up to \$3 million, which has to cover rebuilding costs, personal possessions and temporary- accommodation costs. Thousands who lost their homes in L.A. lived in high-end neighborhoods, and are now in expensive rentals.

Jewlz Fahn is more than a million dollars worse off because State Farm axed her fire insurance in the fall. Weeks later, her five-bedroom Palisades home burned to the ground. "My family lost everything," Fahn said.

Her \$3 million Fair Plan coverage, the maximum allowed, has paid \$153,000 for destroyed personal possessions: a fraction of the \$1.4 million limit on her old State Farm policy. She has also been paid two-thirds of her living-expenses coverage of \$153,000, barely a quarter of the \$600,000 State Farm cap.

A State Farm spokesman said the insurer "made the difficult decision to non-renew a small number of...property insurance policies" in response to its Californian subsidiary's financial health.

A \$997,500 check sent in February to Fahn by regular mail, with no tracking, went missing. She has since received a replacement check.

Spira, whose \$562,000 check went AWOL, got through to a Fair Plan representative—only to be told she was "too upset" to help, and hung up on. It took more than two months from the fires before she received a replacement \$562,500 check.

[Copyright \(c\)2025 Dow Jones & Company, Inc. All Rights Reserved. 4/4/2025](#)

[Powered by TECNAVIA](#)

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit djreprints.com.

2650-B