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Residents' Insurance Options Shrink

BY HEATHER GILLERS

A shrinking California insurance market will leave Los Angeles-area residents more dependent on a patchwork of federal programs, charitable aid and savings to rebuild lives devastated by the most-expensive fire in U.S. history.

The blaze that has swept through one of America's wealthiest shorelines has racked up more than \$50 billion in losses. The recovery will take years, and some residents might simply sell the land beneath their former homes.

Insurance should cover about \$20 billion of the fire's losses, JPMorgan Chase estimates.

Banks typically require homeowners with mortgages to insure the full value of their homes. Some landlords also require policies. But some renters and homeowners carry little or no insurance; 12% of homeowners in the U.S. don't buy home insurance, according to a 2023 survey by the Insurance Information Institute and the reinsurer Munich Re. Insurance is less common in mobile-home parks, such as the Pacific Palisades Bowl Mobile Estates, destroyed in the fire last week.

As disasters have worsened, major insurers have pulled back from areas prone to storms and fires, leaving Americans with expensive, bare-bones policies. State Farm last year said it wouldn't renew policies for 30,000 homeowners in California, including 69% of those in Pacific Palisades, which was hard hit. California's state plan of last resort, the FAIR Plan, had 451,000 residential policies in September, up 40% from a year earlier. The plan, which caps home damages at \$3 million, has 1,430 policies in Pacific Palisades, where the typical home is worth \$3.4 million.

The FAIR Plan can call on insurers to help fund payouts, if necessary. Still, insurers, regulators and consumers are concerned about the FAIR Plan's solvency, given the spate of expensive fires. A spokeswoman said the plan has mechanisms in place to cover all claims.

The Federal Emergency Management Agency helps pay for temporary shelter, supplies, and other needs assistance after disasters.

The agency caps total payouts for housing assistance at \$43,600 a person or household and can provide up to the same amount for other needs. But that money doesn't fully address the cost of long-term repairs. "Even if you get the full amount of housing assistance, that's not going to rebuild a house," said Madison Sloan, director of the disaster recovery and fair housing project at Texas Appleseed, a nonprofit.

Uncle Sam can help with more than emergency assistance. But the newly seated, majority-Republican Congress would have to authorize this additional aid.

The government's Community Development Block Grant Program can hand out money to help repair and rebuild homes—as soon as Congress appropriates it.

When insurance doesn't cover all losses, homeowners are usually stuck with the remaining bill.

After a fire swept through the suburbs between Denver and Boulder, Colo., in 2021, a study found 36% of homeowners who filed insurance claims learned that their policies covered less than threequarters of their homes' replacement costs.



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