

[As fires rage, CA fears home insurance collapse](#)

Morning Brew

Californians are at risk of losing even more: The Los Angeles area blazes that have killed at least five people and [destroyed](#) or damaged more than 2,000 buildings this week are threatening to raze more neighborhoods than insurance providers can handle.

The latest. Nearly 200,000 people across 45 square miles have been forced to evacuate:

- With the two main fires in the Pacific Palisades and Altadena still 0% contained as of Thursday, JPMorgan doubled its prediction for the disaster’s total economic losses to \$50 billion yesterday.
- Insured losses could surpass \$20 billion, per JPMorgan, which would make it the costliest wildfire in US history. (The biggest wildfire in the US before now, the 2018 Camp Fire, incurred \$12.5 billion in insured damages.)

This is what the insurance industry has been dodging. State Farm, Allstate, and other major insurers stopped selling new home policies in the Golden State in recent years, citing the growing risks of wildfires. That’s led tens of thousands of Californians to sign up for the FAIR plan, the state’s limited fire insurance program—or go without insurance altogether.

- Last year, State Farm didn’t renew policies for 72,000 homes and apartments, including 69% of the insured homes in the now-flattened Palisades.
- With private insurers pulling out, FAIR plan coverage for Palisades residents spiked 85% from September 2023 to September 2024—more than double the statewide increase over the same period, according to the Wall Street Journal.
- The FAIR plan—which was intended as a last resort for the uninsured—could be on the hook for \$5.9 billion in Palisades coverage.

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“We are watching very nervously,” said Amy Bach, the executive director of the consumer advocacy group United Policyholders. Insurance providers rely on reinsurance—which is like insurance for insurers—to help them pay out catastrophes. FAIR only has \$2.5 billion in reinsurance, so policyholders could be facing a bumpy road to reimbursement...and higher premiums.—*ML*