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Last year's California wildfires set benchmarks for costly destruction on a scale unheard of before, with the more than $12 billion in losses topping the combined tab for the state's worst wildfires dating back decades.
There are no estimates yet for losses from this year's blazes. But halfway through the fire season, the state has already seen its largest fire ever with the Mendocino Complex Fire eclipsing December's Thomas Fire in scorched acreage. Last month's Carr Fire near Redding was the sixth most destructive to property, comparable to San Diego's devastating 2007 Witch Fire.
And soon, state officials warn, the more than 3 million homeowners near wildland areas and the 1 million considered at high risk for wildfires will face a new worry: home insurance rates will rise, and insurers will drop coverage in some areas, making it hard to get a policy at all.
In Santa Rosa's Coffey Park neighborhood, hard-hit by last year's wildfires, neighborhood association president Jeff Okrepkie said many residents are worried that insurers will cancel their policies as soon as they legally can.

A partial wall and fireplace are all that is left of a home in the fire devastated Coffey Park neighborhood in Santa Rosa, Calif., on Wednesday, Nov. 29, 2017. Laura A. Oda/Bay Area News Group)
"We know insurers out there that have said as soon as we aren't legally obligated, we're out," said Okrepkie, who also works in commercial property insurance. "As far as rates go, they are going to go up."
California Insurance Commissioner Dave Jones acknowledged that "we're going to see more nonrenewals, more insurers declining to issue policies in some areas and rate increases" as a result of the wildfires.
It isn't just homeowners in designated high-risk areas that are vulnerable. Jones said that insurers are re-evaluating how they gauge wildfire risk in the Golden State, noting that in Sonoma County, 16.5 percent of homes were rated high or very high risk, but significant areas thought to be lower risk burned down.

Insurers charge more for higher risk areas.
"There's no question insurers are going to reassess," Jones said. "What I anticipate we're going to see is the number or percentage of homes rated high or very high risk going to go up. So this phenomenon is not just limited to areas that burned or counties where fires have occurred."
The average California homeowner premium, excluding earthquake and flood insurance, was $1,045 last year, up about 10 percent from $954 a decade ago, according to the insurance department. Rates vary widely based on the size and value of the home, deductibles, amount of insured coverage and fire risk.

"The days of people paying under $1,000 for insurance are fast coming to a close in California," said Amy Bach, executive director of the consumer group United Policyholders. "People can expect to be edging up well over $1,000 in these rural areas, nudging above $2,000."
It's hard to say yet what the exact impact will be on homeowners because the fires are so recent and the state heavily regulates insurers. State law requires insurance companies to renew homeowners' policies at least once following a catastrophic loss. Insurers must seek state approval to change rates, and they must spread recovery for catastrophic losses over at least 20 years, so increases would be gradual.
But the costs of last year's wildfires raise the specter that with a warming climate expected to fuel more frequent and destructive blazes, wildfires could produce damage on a scale of historically more costly disasters such as earthquakes, tornadoes, hurricanes and floods.
As Californians know from their experience with earthquakes, catastrophic costs on that scale can lead insurers to abandon the market.
"I don't think fire risk is as acute as flood and earthquake," Jones said, "but it could get there."
Last October's fires in and around California's Wine Country alone caused more than $9.7 billion in insured losses. The yearly total, including December's massive Thomas Fire in Ventura and Santa Barbara counties, tops $12.3 billion.
That's about four times the toll of what had been the country's costliest fire disaster before last year — the Oakland Hills Fire. That 1991 blaze caused $1.7 billion in insured losses, more than $2.7 billion in today's dollars, according to the Insurance Information Institute, a nonprofit industry-supported organization.
By contrast, the country's most devastating hurricanes and earthquakes are typically much more costly because they tend to strike major metropolitan areas. Hurricane Katrina, the nation's costliest disaster, caused an estimated $41.1 billion in insured losses in 2005 along the Gulf Coast and New Orleans, about $50 billion today, according to the institute. Last year's Hurricane Harvey, which inundated Houston,

caused an estimated $19 billion in insured losses.

Floodwaters in New Orleans surround the Louisiana Superdome after Hurricane Katrina in 2005. AP Photo/David J. Phillip, File) AP file

California's Northridge earthquake caused $15.3 billion in insured losses in 1994, about $25.6 billion today, according to the institute. The Loma Prieta earthquake caused $960 million in insured losses in 1989, about $1.9 billion today.

Losses from the Northridge quake were so high that many insurers bailed on California, forcing the state to create the California Earthquake Authority to help homeowners obtain coverage. But the Los Angeles Times reported that, today, only about one in 10 insured California homeowners has earthquake coverage. Those who decline often cite concerns about high premiums and deductibles for earthquake coverage. Earthquake premiums averaged $1,033 last year, according to the insurance department.

A similar program, the California FAIR Plan, already exists to provide fire insurance for homeowners unable to get coverage in the insurance market. It was set up in the 1960s after the Watts riots prompted insurers to drop coverage in some urban areas. It provides bare-bones fire coverage at an average premium of $637 but not other risks such as water damage covered in a typical homeowner policy. So those homeowners need supplemental coverage on the insurance market for that.

Among the 3 million homes near wildland areas, the number with FAIR Plan policies has grown by about 2,000 a year over the last four years, totaling 30,000 today, or about 1 percent of homes in those areas.

A big spike in FAIR Plan policies could signal trouble in the private fire insurance market.

"They're the canary in the coal mine," Jones said.

State lawmakers could make matters much worse — they're kicking around a proposal to ease utilities' liability for wildfires caused by their equipment. Currently, utilities are liable if their equipment was a factor in starting a wildfire, even if they properly maintained it, and that helps insurers recoup their losses and keep a lid on premiums.

An auto traveling on the 118 freeway got caught when the freeway collapsed at Gothic Avenue. The Northridge quake hit at 4:31 a.m. on Jan. 17, 1994. Los Angeles Daily News file photo)

"That would fundamentally change the ability of insurers to recover from the responsible party," said Mark Sektnan, vice president of the Property Casualty Insurers Association of America, which represents the homeowner insurance industry. And that, in turn, would likely boost insurance rates further.

Still, with many more homes outside of wildfire risk areas, California's insurance market is resilient when

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it comes to wildfire risk, Jones and industry representatives said. “There are some companies that are re-evaluating risk, and there may be some companies pulling out of some areas,” Sektnan said. “But some of our member companies specialize in writing in high-risk areas.”