

California fire victims say fighting with insurance companies has delayed rebuilding

NPR

Nine months had passed since a wildfire destroyed Mark Johnson's southern California home, and he was still waiting for State Farm to pay his claim. Desperate for a resolution, Johnson asked the insurer in October to negotiate a settlement so his family could rebuild.

"I was on the verge of leaving money on the table," Johnson recalls, "just to get some kind of assurance of what we could move forward with."

Then, just before Thanksgiving, a State Farm representative told him the money was on its way. "Needless to say, it was a huge relief," Johnson says, fighting back tears.

Johnson isn't alone. State Farm is California's top home insurer, and many customers around Los Angeles started to get checks in November after LA County announced it was investigating complaints about how the company had handled claims from last January's wildfires, says Joy Chen, executive director of the Eaton Fire Survivors Network.

For homeowners, the battle to collect insurance money after the Eaton and Palisades fires has exacerbated a grueling recovery that's far from over. As Johnson's case with State Farm languished, he had to scramble for other sources of funding to try to rebuild. Other fire survivors have gone into debt while bouncing between rental housing, as they wrangled with State Farm and other insurers over coverage.

The struggle Los Angeles residents have faced with insurers mirrors what's happening in communities around the United States. Years of rising premiums, due in part to threats from climate change, have added to the frustration with insurance companies.

“This is a national issue,” Rep. John Garamendi, a California Democrat, told reporters recently. He added, “the first commandment of the insurance industry is to pay as little, as late as possible.”

Asked about its handling of insurance claims, State Farm sent NPR a statement from its website that says the company takes every claim seriously and tries to provide customers with appropriate coverage.

“The rebuilding process [in Los Angeles] is underway, but frustration with the pace is understandable,” David Sampson, chief executive of American Property Casualty Insurance Association, an industry group, said in a statement to NPR. “Insurers have paid tens of billions of dollars to policyholders impacted by the fires, and that process continues.”

Insurers face ‘staggering’ costs from LA fires

The Eaton and Palisades fires destroyed more than 16,000 structures around Los Angeles. They rank as the most expensive blazes ever globally, with \$40 billion of insured losses, according to Swiss Re Institute, the research arm of reinsurance company Swiss Re.

Soon after the fires were extinguished, homeowners started to complain about how insurance companies were responding to the disaster.

“The price tag is so staggering for the insurers here that they are bringing strategies to try to limit the pain” they experience financially, says Amy Bach, executive director of United Policyholders, a national consumer advocate. “But it’s nothing new under the sun what we’re seeing.”

In November, the Los Angeles County Counsel opened an investigation of State Farm following reports from residents that the company delayed, underpaid and denied valid insurance claims. The county counsel’s office declined to comment on the state of the investigation.

State Farm said in a statement on its website that the investigation is a distraction from its efforts to help fire victims recover.

Chen of the Eaton Fire Survivors Network says State Farm’s alleged behavior was devastating for its customers. “Around February or March, I realized that whether a family was recovering or not depended

largely on which insurance company they were with, which was shocking,” Chen says. “These are all people who have been paying [their] insurance premiums faithfully for 20 or 30 years, but only some of them were getting the benefits.”

The fight for insurance money has been especially hard for homeowners whose houses survived the fires but were contaminated with lead and other toxins from the smoke, according to survivors and consumer advocates.

“With total loss, it’s a very clear-cut, ‘OK, we either rebuild or we sell. And if we rebuild, it’s this. And if we sell, it’s that.’ And we do not have any paths to take,” says Krista Copelan, whose Altadena home suffered smoke damage and lead contamination in the fires. “It’s 100% trying to figure it out, fighting every step of the way, having no clear-cut answers.”

Until about Thanksgiving, Andrew Wessels says State Farm resisted replacing his family’s personal belongings, like clothes and bedding, that had been contaminated with lead, insisting the items could be cleaned instead. As the one-year anniversary of the fires approached, Wessels still didn’t know how much State Farm would pay to remediate lead contamination in his Altadena house. To get rid of all the toxic ash, Wessels says floorboards need to be pulled up and walls torn down.

“We’re here almost a year later, and we haven’t taken one step forward,” Wessels said in December.

As they’ve waited, Wessels, his wife and two young children have moved a dozen times, and the family has taken on tens of thousands of dollars in debt.

A lot of families are in similar situations. In Altadena, 65% of residents are still in temporary housing, according to a report this month from Department of Angels, a nonprofit that was set up to help victims of last year’s fires. In Pacific Palisades, the number is even higher, with nearly three-quarters of residents still displaced.

As the recovery has dragged on, the toll on residents has grown, according to the Department of Angels report. Around half of respondents said they have depleted much or all of their savings. And about the same share said they worry about their mental health.

“I think everyone has been overwhelmed and drained for, literally, the past 11 months,” Copelan, a State Farm customer, said in December.

“They’re trying to make it difficult”

More than a thousand miles east, in Oklahoma, State Farm faces separate allegations that it has shortchanged policyholders. Oklahoma Attorney General Gentner Drummond, a Republican, recently accused the insurer of running a scheme to deny and minimize payments for roof damage from hail and wind.

“Oklahomans are paying rising homeowners insurance premiums yet receiving less protection in return, as State Farm simultaneously pursues additional rate increases while allegedly escalating its claims denials and underpayments practices,” Drummond wrote in a December court filing.

Drummond’s complaint is part of a growing wave of frustration with insurers nationwide as rising premiums strain household budgets.

In Texas, Democratic state Rep. Mihaela Plesa recently told reporters that homeowners who are struggling to pay for insurance in her district near Dallas routinely have their claims denied.

“That’s not insurance, that’s extraction,” Plesa said. “That’s a system that’s designed to pull maximum dollars out of Texas pockets and providing minimum protection when disaster strikes.”

And in southwest Florida, Jessica Gatewood, a Realtor, told NPR that home insurance feels like “a scam.”

“You pay into it for, like, 30 years, 40 years, and then you have to make a claim, and they don’t want to pay you what you actually need,” Gatewood says.

The insurance industry says it has been dealing with years of rising disaster costs that have forced companies to raise premiums and to limit coverage in some high-risk areas.

The cost of disasters is increasing in part because climate change fuels more-intense storms, floods and wildfires that damage and destroy property. Additionally, people continue to move to coastal regions

vulnerable to hurricanes and to forested areas prone to wildfires. That means more property is in harm's way. Then, when homes get damaged or destroyed, inflation has made it more expensive to rebuild.

Robert Gordon, a senior vice president at American Property Casualty Insurance Association, the industry group, says Florida and other states have also been plagued by cases of what Gordon described as insurance "fraud" related to alleged roof damage from storms, which he says have contributed to rising costs.

In California, Mark Johnson hopes to move into his rebuilt Altadena home by fall. Reflecting on his ordeal with State Farm, part of him wonders if the insurer was just overwhelmed by the scale of the disaster. But he can't shake the feeling that all of the delays he faced were intentional.

"They're just trying to push you away," Johnson says. "They're trying to make it difficult for you so that you won't ask for much, so you'll be happy with whatever you get."