United Policyholders
Empowering the Insured

California’s insurance crisis leaves neighbors facing unequal recovery after wildfires

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Before a wildfire ravaged their street in northwest Altadena, Louise Hamlin and Chris Wilson lived next door to each other in nearly identical houses.

“I chose an old home in an old neighborhood because it has soul,” said Hamlin, a 51-year-old single mom with a teenage boy, who bought her 1,500-square-foot home 10 years ago.

Today, gone are their charming English-style cottages built in 1925 with the welcoming porches and Palladian windows. Amid the rubble and ash, little is left of their historic neighborhood.

In the weeks since the Eaton wildfire took their homes, Hamlin and Wilson have been stumbling through the layers of business, bureaucracy and emotional trauma of surviving a natural disaster, with their sights firmly set on rebuilding.

How they’ll navigate rebuilding is a story of contrasting fortunes and unequal recovery that reveals the nation’s growing home insurance crisis. Her insurance has already paid out nearly a million dollars and she is searching for contractors. He is contemplating loans, lawsuits and moving his family out of California.

“It changes the whole trajectory to your life,” said Wilson, 44, who bought his house five years ago with his wife, who is six months pregnant with their first child.

Hamlin’s home was privately covered by Mercury Insurance, but Wilson was forced onto the California Fair Access to Insurance Requirements Plan — the state’s bare-bones insurance program — when SafeCo declined to renew his policy last May. The FAIR Plan insures people who can’t get private coverage but need insurance as a condition of their mortgage.

As wildfires, hurricanes and other natural disasters become more frequent due to climate change, many property owners find themselves struggling to find or afford private insurance. The issue is particularly acute in California, where some major insurance companies have stopped writing new policies altogether or are refusing to renew existing ones.

State officials recently started rolling out new regulations to entice insurers to stay in California, with the hope of getting as many homeowners as possible off the FAIR Plan.

FAIR, with its high premiums and basic coverage, was designed as a temporary safety net until policyholders find a more permanent option. Yet the number of FAIR Plan residential policies more than doubled from 2020 to 2024, reaching nearly 452,000 policies last year.

For Wilson and Hamlin, their parallel rebuilding journeys serve as a cautionary tale. Wilson paid nearly 60% more in premiums related to the fire than Hamlin, for less than half the coverage.

"That's why a lot of people call it 'The Unfair Plan."' said Amy Bach, executive director of the consumer advocacy group United Policyholders.

SafeCo's parent company Liberty Mutual said in a statement that it couldn't comment on any individual policies but acknowledged "difficult but purposeful business decisions" in California.

Mercury didn't respond to requests for comment.

Janet Ruiz, spokesperson for the Insurance Information Institute, which represents many major insurance companies, said California is fortunate to have the FAIR Plan, which is required to accept everyone. Ruiz said outcomes would be even worse if homeowners had no coverage at all.

Insurance Commissioner Ricardo Lara said California is working to make sure all claims are paid. He said in a statement that his office is working to get homeowners off the FAIR Plan and back to traditional more comprehensive insurance coverage.

A FAIR Plan spokesperson declined to comment on Wilson's case, and noted that it's difficult to compare policies and coverage.

Thousands of people lost their homes in the Eaton and nearby Palisades fires, which were among the most destructive in California history.

The FAIR Plan said it expanded staffing to meet the surging demand and has a funding mechanism in place to pay all covered claims. State data shows more than 31,000 wildfire-related claims had been filed as of last week, including roughly 4,400 claims under the FAIR Plan.

Hamlin had standard comprehensive home insurance, with an annual policy premium of $1,264 at the time of the fire. She can receive up to $1.5 million to replace her home, other structures and personal property, including up to $303,000 for living expenses while displaced. Her policy further entitles her to coverage that could add more than $200,000 to help her rebuild.

Wilson, meanwhile, pays a $2,000 premium for the FAIR Plan that sets his maximum payout at $686,000, including $100,000 for living expenses while displaced.

Wilson also had to buy “wrap-around insurance” for $1,500 a year for issues the FAIR Plan doesn’t cover, such as burst pipes or falling objects. That supplemental plan doesn’t cover fire damage.

Hamlin said Mercury’s support has been exceptional, immediately sending her money and helping with next steps such as finding housing and getting contractor quotes. Within days, the company wired her tens of thousands of dollars to get started while the process fell into place.

“Being able to rest at night and wake up and deal with everything else is really important,” Hamlin said.

Meanwhile, Wilson has struggled to even talk to a FAIR Plan representative. There was zero communication in the first two weeks, contact information was listed incorrectly, phone numbers had no voicemail and emails bounced back.

“Half the time, I feel like I’m doing something wrong,” Wilson said.

After The Associated Press reached out for comment, Insurance Department spokesperson Michael Soller said a representative would contact Wilson directly.

Wilson said he feels haunted by his choices. He thought he had bought property in a low-risk area, and had avoided looking for homes in another neighborhood further north after hearing that people there had been dropped by their insurers.

Hamlin, too, was aware of the fire risks when she moved in. She previously lived in Pasadena and was surprised that State Farm, her then-insurance company, would not offer her coverage in Altadena. She chose Mercury because it was the cheapest option, and was considering pursuing even more robust coverage.

“I could have been dropped when Chris was dropped. Any of us could be at any time. It’s just luck, really. It’s nothing I did or didn’t do,” Hamlin said, stunned by the comparison. “I had the same risk factors as everyone else.”

Stephen Collier, a professor of urban planning at University of California, Berkeley, said the seemingly random nature of who gets dropped and when has much to do with insurance companies’ complicated risk models.

“They’re all trying to manage their exposure,” Collier said. “If you think about wildfires, you don’t want concentrated exposure.”

Wilson said SafeCo requested an inspection of his property before deciding not to renew his policy. Panicked, he tried unsuccessfully to negotiate with them, offering to clear brushes, trim trees near the roof, and other wildfire mitigation efforts.

Wilson shopped around aggressively with his insurance agent but to no avail, and resigned himself to the FAIR Plan, assuming he would eventually find private insurance again.

There was another catch: Wilson said he couldn’t get comprehensive replacement cost coverage on the FAIR Plan because his roof was too old. Instead, he ended up with what is known as “actual cash value” coverage, which greatly limits the payout based on the physical depreciation of what was lost.

“We’re talking hundreds of thousands of dollars and that’s very, very painful,” said Bach of United Policyholders.

Citing rising fire risks and other problems, seven of the top 12 insurance companies either paused or restricted new business in California in 2023. State regulations give insurers more latitude to raise premiums in exchange for issuing policies in high-risk areas, including consideration of climate change in premiums and passing the costs of reinsurance to consumers.

But those are only short-term solutions, said Dave Jones, California's insurance commissioner from 2011 to 2018. He pointed to Florida, where officials have "done everything the insurers asked California to do" but yielded little success.

"We're marching steadily towards an uninsurable future in the United States because we're not doing enough fast enough to address the underlying cause, which is climate change," Jones said.

Unless governments take on the financial burden of serious mitigation efforts, the price of California's fire risk will remain unequal and left to the homeowners, Collier of UC Berkeley said. That could be the underinsured — like Wilson — swallowing their personal losses, or all California homeowners collectively saddled with increased premiums, or both. State Farm, California's largest insurance company, this week urged the state to approve an emergency rate hike of 22% for homeowner policies starting in May after processing nearly 8,700 claims and paying out more than $1 billion to policyholders for the LA fires.

"There's a huge amount of risk in the system and there's a big question of who is going to pay for this," Collier said.

Wilson expects he'll have to take out loans to rebuild. He's considering joining a lawsuit against Southern California Edison that alleges the utility's equipment sparked the blaze, in hopes of receiving settlement money.

But with a baby on the way, Wilson said he can't fathom living in limbo on the FAIR Plan forever, and he's thinking about leaving California if private insurance remains out of reach.

"I don't want to have to be prepared to maybe lose everything again," Wilson said. "Stuck paying for an insurance that doesn't cover anything. You don't want to live in a risky area. You don't have the safety net."

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