

Ensuring insurance: Homeowners insurance coverage reassessed amid LA wildfires

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Two United States representatives from California proposed a new bill Jan. 16 that would reassess home insurance coverage in areas with high wildfire risk.

The Wildfire Insurance Coverage Study Act, reintroduced by Representatives Maxine Waters and Brad Sherman, would ask the Government Accountability Office to conduct a study regarding the availability and affordability of homeowners insurance in areas prone to wildfire risk. The bill, originally proposed in February 2024, was pulled from consideration before getting a full vote from the House of Representatives last Congress.

The bill follows fires across Los Angeles County that have damaged 16,255 structures, according to the California Department of Forestry and Fire Protection.

The study proposed by the bill would examine risk assessment, the existing state of insurance coverage, insurance-regulating agency responses and challenges in underwriting wildfire risk.

Constance Anastopoulo, a former UCLA visiting law professor, said one of the causes of the current home insurance crisis is home insurers gradually withdrawing from states prone to natural disasters, such as California.

“It’s very difficult for homeowners to purchase homeowners insurance because there aren’t many providers and the rates are so high,” she said. “You’re caught between a rock and a hard place.”

Insurance is regulated by federal statutes such as the Sherman Antitrust Act, which protects consumers against insurers engaging in antitrust practices such as price setting or collusion, added Anastopoulo, a

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Charleston School of Law professor. The proposed bill seeks to recommend federal resources to stabilize insurance markets, which is a state-regulated industry.

Michael DeLong, a research and advocacy associate for the Consumer Federation of America, said there is a disparity in information about rising homeowners insurance costs. The bill requires an examination of the effects of state and federal government responses to mitigate wildfire risk, including potential solutions if private insurance companies leave the market for wildfire coverage.

“They’ll probably make some recommendations for the federal government to try and stabilize insurance markets, and that would be most welcome,” DeLong said. “While states have an important role to play in insurance, ... many of them are overwhelmed, and so any help that the federal government could give would be really welcome.”

Joel Laucher – a preparedness advocate with United Policyholders, a nonprofit that helps consumers with insurance issues – said insurers’ main source of concern is the number of recent wildfires in California and other states.

“We hadn’t had that many back-to-back major wildfires as we have had recently,” he said. “Insurers want to make sure that the total values insured in any given area are manageable totals for them to cover in the event of a catastrophic commitment.”

Laucher added that the bigger issues for consumers are long-term, as they seek to rebuild homes and recover their insurance coverage. Consumers may find that their insurance limits are not high enough to rebuild a home as it may have originally stood, he said.

The bill will also look into how private insurers estimate the likelihood of future wildfires and expected damages.

DeLong added that fossil fuel projects contribute to climate change, which increases the frequency of natural disasters, further making insurance coverage less affordable. According to a 2022 report for the California Department of Insurance, insurance companies invested over \$536 billion into fossil fuel investments in 2019.

“We think that insurance companies shouldn’t be funding fossil fuel projects,” he said. “They should phase out their investments in those areas, and instead, they should be part of the solution.”

While the bill may propose solutions for some of the issues it identifies through the examination of insurance coverage, it may not directly impact the market, Anastopoulo said.

“It is really something that will create an opportunity for research on the issues affecting rates and coverage in California,” she said. “It’s a tool in the toolbox.”

Laucher said he hopes that in addition to the bill, the federal government can continue cost assistance programs and implement better firefighting systems.

“It’s hard to look ahead, but we obviously need to do it.” he said. “This set of wildfires is an indication we maybe should have been looking ahead 10 years ago, right? And so we do have to think of what’s coming in the next 10 years and get a start on it.”