

L.A. fire survivors accuse State Farm of delaying claims. Should it get OK for a rate hike?

Cal Matters

Rossana Valverde's Pasadena home of 35 years is still standing after Los Angeles County's devastating January fires — but more than 100 days later, she and her husband still can't move back in.

That's because they're waiting for their insurer, State Farm, to approve and process their claims.

"We were lucky our house made it through," Valverde said. "At first we thought unscathed. But it definitely still smells like smoke. The windowsills have a thick layer of black ash and soot."

After getting their home tested for toxins, they discovered it contains high levels of arsenic, lead and nickel. The cleaning, repair and replacement costs for their hardwood floors, carpet, appliances and more total upwards of \$300,000, per some written estimates she shared with CalMatters as well as her own estimates of costs to replace things like their bed and upholstered furniture.

So far, she and her husband have received about \$40,000 from State Farm but are having trouble getting the insurance company's adjuster to respond promptly to their requests for more.

She said the company's adjuster — the second one they were assigned — hardly returns emails and phone calls from her or the public adjuster she's enlisted for help.

"He pulls this 'I didn't receive it' BS and then when I press him he suddenly finds it," she said.

She is not alone. There are so many complaints, including a lawsuit, about State Farm delaying or denying claims after the LA-area fires, especially related to smoke damage, that fire survivors, three

The information presented in this publication is for general informational purposes and is not a substitute for legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the "Find Help" section of www.uphelp.org. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

Source: <https://uphelp.org/l-a-fire-survivors-accuse-state-farm-of-delaying-claims-should-it-get-ok-for-a-rate-hike/> Date: March

state lawmakers and others have asked Insurance Commissioner Ricardo Lara to investigate. They pointed out that the company is awaiting approval for its request to raise its rates on an emergency interim basis and urged Lara to rescind his conditional approval. An administrative law judge is expected to decide on the rate hike soon.

The Insurance Department routinely investigates insurance companies' response to disasters, which can lead to deeper examinations of their conduct and millions of dollars of additional payments. But this time around, State Farm is facing complaints as it happens to be seeking to raise its rates an average 17% for homeowners.

Under growing pressure to investigate, Lara sent a letter to State Farm Chief Executive Dan Krause last week, asking for details about how the company is handling claims. In the letter seen by CalMatters, Lara asked for a copy of the insurer's standards for reviewing, investigating and processing smoke damage claims. He also asked State Farm to commit to providing at least 75% of contents coverage without requiring an inventory from fire survivors — the company had raised what it pays out in advance contents coverage from 50% to 65%. The commissioner set a May 9 deadline for a written response from the company.

In an interview, Lara told CalMatters that he also spoke with Krause by phone about the letter. He said he asked Krause if State Farm could maintain a visible, physical presence in the area as customers continue to need help with claims and disaster recovery centers close.

"He's going to look at keeping a presence in Eaton and Palisades," Lara said.

When asked whether he planned to tie State Farm's handling of claims to the company's request to raise its rates, the commissioner said: "I'm going to see what they respond, then move accordingly."

Lara said he has to consider that State Farm is California's biggest insurer, and that it has millions of customers in the state. "I want to be clear to the Legislature," he said. "I'm balancing all the facts."

State Sen. Sasha Renee Perez, a Democrat representing Pasadena who co-wrote the letter asking Lara to investigate State Farm and withhold a rate increase, told CalMatters: "Everybody realizes we're in a home insurance crisis. (Nobody is) saying there should never be a rate increase." But she said her

constituents have been good customers who “feel like they’ve been left in the cold.”

State Farm spokesperson Sevag Sarkissian did not answer questions about Lara’s letter to Krause or his requests of the company. CalMatters also asked about policyholder complaints. Sarkissian sent the following response by email: “We’re here to help our customers recover and we empathize with those who are rebuilding their lives. We’ve received approximately 12,500 total claims related to the fires and have paid over \$3.12 billion to our customers.”

State Farm has said it expects to pay more than \$7 billion in claims from the LA-area blazes.

‘A longstanding fight’ about smoke damage

It’s unclear how many State Farm customers are complaining about the company’s handling of claims, especially about smoke damage coverage. The insurance department would not disclose exactly how many such complaints it has fielded, with spokesperson Michael Soller saying only that the complaints are in line with State Farm’s market share in California, which is about 20%. Soller said the complaints are ongoing and that complaint data is posted annually.

But a group of LA-area fire survivors of the Eaton Fire has a website with at least a couple of hundred detailed — though unverified — complaints, which Perez and other lawmakers cited in their letter to Lara.

That doesn’t surprise attorney Amy Bach, the president of San Francisco-based United Policyholders, a national nonprofit organization that advocates for insurance customers. She co-founded the group in 1991, the same year the Oakland Hills fire exposed insurance-coverage problems for survivors.

Bach said smoke damage has been part of “a longstanding fight.” Smoke damage’s effects can seem less obvious than fire damage, and appears to be one of the factors in LA-area fire survivors having trouble with their claims.

She said the more she finds out about the effects of smoke damage, the more she thinks insurers need to better handle related claims.

Bach and her group now advise policyholders to make sure they get their homes tested by an industrial hygienist before cleaning, adding that if their insurer won’t agree to pay for it at first, they should get it

done anyway and try to get compensated afterward.

“You have to figure out what you’re dealing with,” she said. “There’s too much at stake: your family’s health, your property value.”

A California appeals court ruling in February could affect insurance coverage of soot and ash claims. It held that wildfire debris doesn’t necessarily mean direct physical loss or damage.

Bach was one of several advocates who recently submitted letters in an attempt to depublish — or strike from the record — the decision by the California 2nd District Court of Appeal. She said she doesn’t want insurance companies to be able to point to that court decision as a reason to deny smoke claims.

But last week, the California Supreme Court rejected the depublication requests by Bach and other consumer advocates. They included Consumer Watchdog and Consumer Federation of America, plus an association of public insurance adjusters and a couple of consumer attorneys groups.

The groups that opposed depublication included American Property Casualty Insurance Association and other insurance groups, as well as the FAIR Plan — the fire insurance provider of last resort in California.

Just like State Farm has been accused of delaying claims and payments related to smoke damage, so has the FAIR Plan. LA fire victims sued the FAIR Plan, State Farm and other insurers over smoke damage claims earlier this month.

The FAIR Plan did not immediately return CalMatters’ requests for answers about its policies on smoke damage.

In March, Lara issued a bulletin regarding smoke damage claims. It said insurance companies should not take the February court ruling to mean they are off the hook for such claims.

The commissioner told CalMatters last week that he is working with the governor’s office and public health officials on establishing statewide standards for smoke damage remediation — of cleaning up and stopping environmental damage. Those standards could help inform insurance policy requirements, but spokesperson Soller said the insurance department has no further details to share yet.

The information presented in this publication is for general informational purposes and is not a substitute for legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the “Find Help” section of www.uphelp.org. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

Source: <https://uphelp.org/l-a-fire-survivors-accuse-state-farm-of-delaying-claims-should-it-get-ok-for-a-rate-hike/> Date: March

A spokesperson for Gov. Gavin Newsom's office said the commissioner has requested technical support for the effort.

Other fire survivors speak out

In Altadena, Andrew Wessels is also dealing with delays from State Farm. He and his family are now on their seventh temporary home since the fire because the insurer has not approved their request for long-term housing.

They have relied on friends, a hotel and three Airbnbs, for which they pay the rent out of pocket.

They started submitting receipts to State Farm in January, he said. As of now, they have received about \$25,000 of \$40,000 in reimbursements they have requested.

They have gotten their home tested and found high levels of lead and possibly chlorine gas exposure — not good for him, his wife and their two children, ages 20 months and 5.

They have requested 100% of their Coverage B, or \$355,650, because Wessels said their personal goods are a total loss. He asked the company for the money up front, without having to continue submitting receipts.

Wessels said he and his family are “blocked from the ability to rebuild.” He joined other Eaton Fire survivors at a press conference last month, where several State Farm policyholders called on the insurance commissioner to reject the company's request to raise its premiums on an emergency interim basis until it takes care of their claims.

Another survivor, Gail Jamentz, spoke with CalMatters on April 25, sounding discouraged because she said she hadn't heard from State Farm since February.

“I submitted my claim status Jan. 11,” she said. “I can't go to FEMA because I don't have a claim status.”

Photos the survivors group shared with the media show her home is standing but badly burned, with its roof caved in. She needed State Farm to declare it a total loss. She called the inside of her home “toxic soup.”

“There’s no roof, it’s been raining, it’s all mush inside,” Jamentz said.

Thursday, she told the Eaton Fire survivors group on Discord that State Farm had finally agreed to let her claim her home as a total loss.

“I have to give you all credit in helping expedite this process these last few weeks as I really think our press conference helped move things along,” Jamentz wrote.

The information presented in this publication is for general informational purposes and is not a substitute for legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the “Find Help” section of www.uphelp.org. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

Source: <https://uphelp.org/l-a-fire-survivors-accuse-state-farm-of-delaying-claims-should-it-get-ok-for-a-rate-hike/> Date: March