

L.A. Fires Revive Trauma For Homeowners Battling Insurance Claims

Financial Advisor

Annie Compton had just put her two young daughters to bed when she heard pounding on the front door. “You gotta get out, you gotta get out now,” her neighbor said.

Compton abandoned the lunches she was preparing for the next day, grabbed some documents and her husband’s hard drive, loaded the kids and two dogs into her minivan and fled. By morning, there was nothing to return to. The wildfires have been burning for two weeks.

We went to a hotel and I just knew, because we could see the flames,” Compton said. “I knew we weren’t going to have a house.”

As the last of the embers from what’s set to be the costliest wildfire on record are tamped out, Compton and thousands of Los Angeles residents who lost their homes have a new nightmare to face: completing an insurance claim so they can begin to rebuild their lives. For many, the process will likely take years and result in a lower payout than they expect.

A 2023 working paper published by the Federal Reserve Bank of Philadelphia found reason for homeowners to be concerned about the adequacy of insurance payouts. Looking at policy and claims data from California wildfires between 2013 and 2020 that burned at least 1,000 acres and one structure, the researchers found almost 40% of post-fire claims are underpaid. Homeowners in particular on average only receive about 72% of what they’re legally due, according to the paper, likely because they aren’t willing or able to undertake a long negotiation.

“A back-of-the-envelope calculation suggests that households receive about \$200,000 to \$300,000 less than their entitled amount under California law,” the authors wrote.

Survivors of recent wildfires recounted painstaking attempts to claw back enough cash to rebuild what they lost. They had to contend with unsympathetic customer service agents, demands from insurers for documentation long turned to ashes and discoveries that their policies don't cover anywhere near the amount needed to replace their home and personal belongings. Many regretted not digitizing their insurance paperwork in advance.

In a warming world where fires have become more frequent and burn for longer, the scale of destruction is pushing an already byzantine system to its breaking point. "Climate change is definitely causing there to be more claims," said Amy Bach, executive director of United Policyholders, a consumer advocacy group that focuses on the insurance industry. "You can't deny that."

For most wildfire victims, the process starts with a phone call to an insurer that's being inundated with panicked inquiries. If they can reach an agent — something that many in LA have struggled to do with power outages and internet blackouts earlier this month — the first thing the company tries to do is establish the damage.

But those questions can come across as insensitive and feel impossible to answer in the immediate aftermath of losing a home. Lisa Frazee, whose house burned down in the Tubbs Fire that swept through Santa Rosa, California, in 2017, said that after she notified State Farm of the disaster an employee began asking her "ridiculous questions" to assess the monetary losses.

"They were asking when food in the fridge had spoiled," she said, as if it was possible to check expiry dates when her house had been reduced to ash. State Farm also repeatedly called and asked for the vehicle identification number of her car, even though she told them it had completely melted.

To Frazee, it felt as if the company wasn't able to acknowledge or understand the scale of the disaster, which destroyed about 36,000 acres and more than 5,000 structures while killing 22 people. "They turn off their empathy," she said.

A representative for State Farm says that the insurer continues to evolve and adapt to better serve its customers. "Our claims force is the largest in the industry and we are bringing the full scale to help our customers following these wildfires," they said, adding that the company had received over 8,800 home and auto claims as of Jan. 20 and already paid out more than \$100 million. The insurer has also said it won't drop policies in the entire LA county.

Documenting the Damage

Frazeo had the challenge of filing two claims at once: one for herself and one for her elderly mother, whose home also burned down. Over the two years it took to settle the claims, she dealt with at least 12 different adjusters — people who work on behalf of insurance companies to assess damage and help determine how much to pay out.

One of the first steps was a tedious process of documenting the value of everything that used to be inside the properties: a so-called inventory list that policyholders are asked to compile with the value on every item that was destroyed.

It's not an easy task. "You can't find your receipts," Frazeo said. "You can't find anything. Everything is burned."

There was an option to waive the list, but it meant she wouldn't receive her maximum payout, Frazeo said. The Excel sheet she ultimately pulled together has hundreds of line items, including irreplaceable antiques, board games, Christmas ornaments and her plants. She recommends starting with valuable items that don't depreciate.

Policyholders need to file claims as soon as they can and gather the value of their belongings, either with pictures, videos or even the original bills, said Lilit Asadourian, a partner at the LA office of law firm Barnes & Thornburg. If people are displaced and have out-of-pocket expenses, it is important to keep track of those as they can also be claimed.

"It's not uncommon for insurance companies to dispute the value of your personal belongings, unless you can demonstrate through receipts and through pictures what are those valuables or personal belongings that you have," Asadourian said. She also advises keeping a thorough record of all the conversations with the insurer.

And it's important to tread carefully when approached by public adjusters, professionals who will offer to work on behalf of policyholders to negotiate with their insurers. The California Department of Insurance has issued notices in English and Spanish urging Angelenos to fully understand the services provided and the fees that will eventually be charged before engaging their help.

"They will take a large chunk of your recovery, anywhere from 10% to 25%," Asadourian said. "It's a

contingency, and it's not just a value of how much they increased your recovery."

Reading the Fine Print

Laura Tinti owned her home in the Fountaingrove neighborhood of Santa Rosa for about 15 years before it burned down in the Tubbs fire. She dutifully paid her insurance premiums annually, only to discover after the blaze that she was vastly under covered.

Her insurer, which she declined to identify, had decreased the value of her house on her insurance policy one year prior to the fire. That meant what they were willing to pay her ended up being way below the cost to rebuild. "As a general consumer, you aren't really aware of the pages and pages of fine print," she said. "It's too much for the average person to understand."

Tinti ultimately escalated her claim to the California Department of Insurance, a state regulator, that provided a mediator to help resolve her claim. She signed a confidentiality agreement that prevents her from sharing the final settlement. The process took a great emotional toll, and she said the final amount wasn't enough to rebuild a comparable home without taking on debt.

Tinti sold the lot about two years ago and now lives in Folsom, California, another fire risk area. Her current insurer cancelled her policy last year and offered her a new contract at double the rate, which she had no choice but to take if she wanted some degree of protection.

It's a dilemma a growing number of Californians are facing. Insurance typically covers a home and belongings; it doesn't insure the land that the house sits on, which often contributes to much of its market value, especially in a state where home prices have skyrocketed.

The value of some of the homes destroyed in the LA fires is higher than what most policyholders are insured for. In the Pacific Palisades ZIP code, the average home value stood at \$3.4 million at year end, according to Zillow. The maximum coverage provided by FAIR Plan residential policies, California's insurer of last resort and now one of the biggest providers of fire coverage in the area, is \$3 million.

Many newly homeless Angelenos have expressed skepticism about how much their insurance policies will pay out given the well-known strain the industry is under because of the deluge of extreme weather disasters in recent years. Catastrophic weather drove global insured losses last year to \$140 billion, more than double the 30-year average, according to Munich Re.

Like Tinti, Joule Charney was also caught out by a technicality she wasn't aware of after she lost her home in the Camp Fire that razed Paradise, California in 2018. Charney assumed she was insured for the full market value of her home, which was at least \$700,000. But when she filed her claim to USAA, she found out that she was insured for much less than that.

One of the problems in Charney's case was something called "code upgrade coverage." When older houses are destroyed, they need to be rebuilt up to modern building code standards — and that adds to the cost of rebuilding. Insurance coverage for this expense varies, and it's not something that will automatically be included in all policies.

"It's important that people understand their policies," said Rebekah Nelson, catastrophe commutations director for USAA. "We want to make that as easy as possible." USAA has received more than 3,500 claims related to the fires in LA, Nelson said. If the home is a total loss, USAA will pay 100% of the dwelling coverage and 75% for personal contents at once and up front.

After living in an RV for about three years, and with help from friends, Charney moved to Georgia in 2022. She has held on to her lot because she didn't receive her settlement from PG&E, which was ultimately found responsible for the fire, until 2024. She hasn't ruled out putting another house on the property, but she doesn't want to live there anymore.

One of the reasons Charney ultimately decided to move to Georgia is that it's less prone to natural disasters. She now lives with her two performance dogs and is writing a book about her experience. "It completely derailed my life in multiple ways that I never saw coming," she said. "It can happen to anyone at any time."

Building a better system

California Insurance Commissioner Ricardo Lara has promised to offer survivors a better understanding of their policies. The department is hosting a two-day free workshop in Pasadena City College on Jan. 25 and Jan. 26. Insurance experts will be there to provide one-on-one assistance to the people who lost their homes to the flames, help them file claims and provide information on rebuilding and recovery.

"Insurance companies must do the right thing during this crisis and stand by their consumers, many of whom have been with them for years, paying their premiums fully and on time," Lara said at a press briefing last week. The department has extended its phone service hours. Lara also suggests people

verify the license for adjusters and contractors on the California Department of Insurance’s website, or through its hotline.

Residents, meanwhile, have begun to join forces on their own. They are distributing information in Facebook groups and on GoFundMe pages, sharing tips of their own experiences with community members to help spread information quickly to people whose homes are gone.

“It’s not over,” Tinti said. “It’s a really long journey for survivors to move forward and to put it all behind you.”