[LA’s fire hazard has grown. What does that mean for insurance?](https://uphelp.org/las-fire-hazard-has-grown-what-does-that-mean-for-insurance/)

LA List

If Los Angeles’s growing concerns about wildfires weren’t clear enough already, maps released by the state earlier this week confirmed the obvious: The county’s fire hazard has grown in the past decade.

The updated Fire Hazard Severity Zone maps — published by the Office of the State Fire Marshal — show that land considered to have “very high” hazard in L.A. County has expanded by more than 30% since a 2011 assessment.

That designation will have practical implications for property owners once the county adopts the map, but what does it mean for insurance?

According to the Insurance Commissioner and CalFire, the maps aren’t meant to influence insurance companies, which use their own models to determine rates. But they do reflect a reality that insurance companies are also seeing when setting premiums, which were already on the rise before January’s fires.

“These maps would track relatively closely with many of the … internal models that insurers are using,” said David Russell, professor of insurance and finance and director for the Center for Risk Management and Insurance at Cal State Northridge.

“The maps are telling us that climate science projects more fires, or bigger fires, or fires that cover more area and closer to homes. And ultimately insurance rates have to reflect an expansion of those expectations.”

Higher insurance costs could displace people

The reality of growing fire danger in L.A. will inevitably make living in certain parts of the county even more unaffordable, experts told LAist.

“Most people have owned their homes for years, decades, and they made their purchase at a time when they didn’t expect this level of expense from the insurance component,” said Joel Laucher with United Policyholders, a nonprofit that helps consumers navigate insurance.

Russell from Cal State Northridge said higher premiums in high-risk fire areas could lead some homeowners to be forced to sell. He noted that renters also feel the squeeze of rising insurance rates — both through renters insurance and higher rents.

Insurance rules have changed

The fires that devastated L.A. came at a time of tumult for California’s insurance market. As insurance companies retreated from fire-prone areas, Insurance Commissioner Ricardo Lara announced new regulations aimed at bringing them back in December.

The rules require insurers to increase coverage in fire-prone areas and account for efforts to fire-proof homes when setting rates. In exchange, they allow insurance companies to set rates using models that consider future catastrophes, rather than depending on historic wildfire data.

Consumer advocates criticized the new policy, saying it didn’t require companies to reveal how they set rates.

“With these rules, the circumstances for consumers won’t change. They will still have an access and affordability crisis,” said Carmen Balber with Consumer Watchdog.

A spokesperson for the commissioner’s office responded to the critique by saying that state review and approval of these catastrophe models are required under the new regulation.

United Policyholders
Empowering the Insured

Fire mitigation

The new state fire maps will mean new regulations for homeowners newly designated to be in “very high” hazard areas. Under state law, they are required to maintain 100 feet of defensible space around their home, essentially creating a barrier to slow down or stop a fire from spreading.

These types of mitigations can help bring down insurance rates. But with premiums regularly increasing, it’s unclear how much those discounts will save policyholders. Laucher with United Policyholders said while homeowners can find out what discounts their insurer offers for hardscaping their home, future rate increases are impossible to predict.

For “the next rate increase that an insurer takes and gets approved by the Department of Insurance, you don’t know what that impact will be on your home specifically,” he said. “So it is very hard to know what your future premiums will be.”

This month, the insurance commissioner provisionally approved State Farm’s request for a 22% rate hike. The company said the increase is needed as anticipated claims from the two L.A. fires could reach $7.6 billion.