

## Nevada Law Lets Insurers Drop Wildfire Coverage; Is California Next?

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Starting January 1, 2026, a new law in Nevada will allow home insurers to exclude wildfire coverage from standard homeowners policies. Passed by the Nevada Legislature, this law will permit insurers to offer wildfire-only policies, marking a significant shift in how property insurance is handled in the state and raising questions about whether California may attempt something similar.

Homeowners in Nevada's wildfire-prone areas may need to purchase separate policies for wildfire coverage, similar to how residents in California buy earthquake insurance or Texans buy windstorm coverage. According to the San Francisco Chronicle, this change mirrors the approach in other catastrophe-exposed markets where certain high-risk perils are excluded from standard policies.

In California, insurers cannot currently exclude wildfire coverage due to the state's statutory "standard fire policy," which mandates minimum coverage. However, the California FAIR Plan, a state-created but privately operated insurer, offers limited fire coverage, requiring homeowners to buy additional "difference in conditions" policies for full protection. As of 2023, about 2% of California homeowners were using this dual-policy system.

The new Nevada law provides statutory protection for insurers choosing to exclude wildfire coverage. Program Business notes that this could lead some insurers, especially those in high-risk areas, to opt out of wildfire coverage, similar to the post-1994 Northridge earthquake insurance market in California.

While Nevada's wildfire risk is lower than California's, the state has seen an increase in insurers declining coverage in high-risk areas like Incline Village and Stateline. This law may offer insurers more flexibility to remain in the market rather than withdrawing entirely.

Consumer advocates warn that removing wildfire coverage from standard policies could leave

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homeowners underinsured. Amy Bach, executive director of United Policyholders, cautions that those struggling with premium costs might skip additional coverage, increasing their vulnerability in disasters.

The potential impact on mortgage lenders remains uncertain. While lenders require flood insurance in high-risk zones, they do not typically require earthquake insurance in California.

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