

New California laws aim to stabilize state's wildfire insurance market

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The recent rains may have lowered the threat of wildfire in the area, but the problem of maintaining fire insurance is a year-round problem for many in California. As a result, a number of new laws have just been adopted that aim to stabilize the home insurance market before and after a major catastrophe.

Central Marin Fire Battalion Chief Todd Lando said many homeowners are doing what they can to remove fuels around their homes. But that doesn't always come cheap.

"It's taken years of education and efforts to get outreach into the communities to help people understand what their real vulnerabilities are," said Lando. "Especially in 'Zone Zero.' The first five feet around the house plays a big role, and sometimes, depending on what your property looks like, it could be a big expense. You may need to hire professionals."

Gov. Gavin Newsom just signed Assembly Bill 888. It establishes a grant program to help low and middle-income homeowners in high-fire risk areas to pay for the removal of flammable vegetation and install more fire-resistant roofs and materials on homes.

Another new law addresses how victims of wildfire are paid by their insurance companies. Currently, insurers of homes lost in declared disasters will only pay 30% of their policy limits for personal possessions unless homeowners supply a complete list of all that was lost.

"Rebuilding after a total loss is overwhelming," said Richard Otis, an attorney for a citizens' group called United Policyholders. "People are forced to remember every toothbrush, pan, pair of shoes. It adds needless pain to an already traumatic experience. Survivors need space to heal. They need to be able to move on, not to be buried in paperwork in the past."

Senate Bill 495 tried to stop that by requiring insurers to pay 100% of a policy's limits on personal property loss, without itemizing the possessions.

"In the process in the legislature, the insurance industry whittled that down," said Carmen Balber, executive director of Consumer Watchdog. "So the bill, as it was signed by the governor last week, is 60% of that personal property coverage will be paid without an itemized list. But it still improves the situation for consumers who are being asked to itemize things in the wake of a fire and retraumatize them."

With many insurers drawing back from the market, many homeowners have been forced into the California FAIR Plan. It was meant to be the insurer of last resort, but has now grown to become the second-largest policy writer in the state.

"But the FAIR Plan was not designed to absorb the number of policyholders at the current rate," said California Assemblymember Lisa Calderon. "This came to a head in February when the FAIR Plan requested financial assistance from its member companies to ensure claims continue to be paid from the Palisades and Eaton Fires. This measure provides the FAIR Plan additional resources to ensure they have adequate claims paying capacity."

AB 226 helps stabilize the FAIR Plan by issuing state-backed bonds and lines of credit so insurance companies can spread out, over time, any bailouts of the FAIR Plan that may be necessary following a major disaster.

Finally, SB 429 will begin the process of creating a state-wide wildfire risk model, generated by public universities, so that future pricing decisions won't rely solely on private, insurance-industry data.

"We want insurance. We need someone to provide it," Lando said. "I think we need to do everything we can to make sure we can all keep it."