Short and long term impacts of the 2025 Los Angeles Wildfires

The devastation in Los Angeles is horrific for the impacted home and business owners and a tragically relatable scenario for North Bay residents. This region knows all too well how quickly wildfires can destroy lives and homes, and how fierce winds impair firefighters.

Sonoma and Napa residents have intimate knowledge of the obstacles survivors and communities face in the aftermath, and how time-consuming and challenging insurance claims and rebuilding can be, but that those obstacles can and will be overcome. The non-profit United Policyholders is channeling those valuable insights to our SoCal neighbors.

Our staff and previous wildfire survivor volunteers are comforting and supporting impacted residents at the two Disaster Recovery Centers that opened this week. Through their kindness and our expertise, tools and resources, we are giving people hope and trustworthy guidance that draws on three decades of helping improve wildfire recovery and the wisdom of those who are living proof that one can rebuild and recover despite unfathomable loss and grief.

Given that Californians were already struggling to stay affordably and adequately insured in the face of a non-renewal and availability crisis, the question of how the record-breaking number of destroyed homes and businesses and related financial costs will impact us going forward is on many people's minds. Many North Bay residents who've spent time and money hardening their homes, creating defensible space and participating in community-wide risk reduction efforts are wondering if they'll ever see the rewards of those efforts.

Here's what we know so far: The Insurance Commissioner's Sustainable Insurance Strategy reforms that went into effect at the end of 2024 gave insurers the tools they said they needed to continue insuring homes and businesses in the state. Many insurers had already put rate increases in effect in anticipation of future wildfires and reduced their exposure in and around Los Angeles. While they won't be happy about paying these claims, they have the financial strength (and reinsurance in place) to meet their obligations to their policyholders. Between the California FAIR Plan's reserves, reinsurance and ability to levy an assessment on their member companies, the last-resort plan also has sufficient financial strength. Insurers generally have been preparing for this type of event and we have regulations and laws in place that require them to pay claims fairly, fully and on time. Under the SIS reforms, insurers can now use predictive catastrophe models instead of just historical data to set rates, pass along a portion of their reinsurance costs to their customers, and seek permission to recoup a portion of any FAIR Plan assessments from their policyholders. (Reinsurance is insurance that insurers buy, the prices are not regulated…and the FAIR Plan has never assessed its members as far as we know, so we're in unchartered territory if that happens).

What does the future hold?

Before these fires hit, Mercury Insurance representatives visited Paradise, saw firsthand the community's commitment to vegetation management and home hardening and pledged to take on 200 new customers currently on the FAIR Plan. In December, 2024, Farmers announced it would be increasing sales again to condo and manufactured homeowners and renters.

Since last week's fires, CSAA announced a commitment to continue to do business in the state, and State Farm just committed to renewing thousands of policies in Pacific Palisades that they previously intended to drop. Also on the "good news" front, there is now a non-renewal moratorium in place in all the 2025 wildfire-impacted LA counties and counties across the state that were impacted by 2024 wildfires. Thanks to those moratoriums, authorized by the legislature and put into place by Commissioner Lara pursuant to emergency declarations by Governor Newsom, residents in those counties have one less worry for the time being.

However, the series of fast-moving, hard-to-contain wildfires that just devastated Los Angeles is a “we told you so” for insurance companies. They will be factored into the models insurers are now allowed to base their rates on. That, plus the fact that unregulated reinsurance prices are certain to rise again based on the LA fires will drive premiums even higher. Also, insurance companies remain free in our state to reject new customers and drop existing customers when their policies come up for renewal, as long as they apply their underwriting guidelines consistently and don’t discriminate, and as long as they give 75 days notice before a non-renewal.

While insurers are supposed to give discounts to customers who “harden” their homes, create defensible space and live in Firewise communities, those discounts remain elusive and way too small. Because we are entirely dependent on private insurers and have no “Plan B” yet, (even our state-mandated FAIR Plan relies on private insurers), imposing new mandates on reluctant insurers has felt too risky for state lawmakers and the Insurance Commissioner. So we remain vulnerable to non-renewals, reduced coverage and premium increases.

We need to innovate or property insurance will become unaffordable for an increasing number of households and home values, real estate transactions, property tax revenues and homeownership will continue to be negatively impacted.

In pursuit of solutions, United Policyholders is continuing to advance risk reduction to prevent homes from burning and increase insurability. Through our monthly statewide “WRAP” (Wildfire Risk Reduction and Asset Protection) working group convenings, we are connecting fire scientists and firefighters, local officials, Fire Safe Councils, mitigation advocates and professionals to share best practices and strategies for helping individuals and communities reach critical mass on risk reduction and be able to maintain insurance.

United Policyholders is advocating for legislation that will require insurers to be more transparent about their underwriting guidelines and renew customers who meet those guidelines. We’ve launched a new “Insurance Alternatives” working group that’s looking at existing examples of risk retention and self-insurance pools and “captives” that were created when private insurance became unavailable or unaffordable. And, we’re advocating for Congress to give state-sponsored insurers of last resort access to a loan guarantee or public reinsurance fund so they can buy less reinsurance and lower premiums accordingly. To volunteer, email info@uphelp.org

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