

THE SOUTHLAND FIRESTORM : Tallying the Losses : Insurers Attempt to Make Amends for Criticism in Oakland Disaster

Los Angeles Times

In the Oakland firestorm of October, 1991, the insurance industry's reputation was blackened along with the hillsides.

The industry—excoriated for insensitivity and foot-dragging in its claims handling in Oakland—is determined not to repeat its mistakes this time around. Consumer activists and regulators are watching closely with the same idea in mind.

“We want to make it clear that we will not tolerate another Oakland,” state Sen. Art Torres (D-Los Angeles) said Thursday.

With nearly 600 homes destroyed or damaged in the Southland's widespread brush fires this week, there were indications Thursday that insurance claims will easily top \$200 million. About 330 dwellings—a significant number of them million-dollar ocean-view homes—were hit by fire in the Laguna Beach area alone.

An insurance company official, who asked not to be identified, said his company's claims will probably average about \$750,000 apiece in the Laguna area. If the number of homes destroyed there reaches 300, the claims total will be \$225 million, he said.

However, officials said it is too early to tell how many claims would eventually be filed and how many of those will involve what one insider called “grounders”—homes burned to the ground.

For all the damage, insurance regulators and industry officials agreed that the impact on Southern California homeowners' insurance rates should be nil because the industry has adequate reserves to cover events much larger than these fires.

Similarly, the damage was spread across enough companies that none should have any financial difficulties as a result of their losses.

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Although damage in the region appears certain to fall far short of the \$1.75-billion destruction in the hills of Oakland and Berkeley, parallels were inevitably being drawn Thursday.

Two years after the worst urban brush fire in U.S. history killed 25 people and destroyed nearly 3,000 homes and apartments, horror stories continue to abound of unsettled claims and bureaucratic nightmares.

Insurers were scored for failing to inform consumers about the limits of their coverage, shuttling adjusters around so that consumers could not get consistent treatment, giving “low-ball” estimates of rebuilding costs, providing inadequate advance payments for fire victims’ living expenses and needlessly dragging out the claims settlement process.

The industry disputes most of those charges, but Allstate Insurance—the No. 2 homeowners carrier in California—was socked with an unprecedented \$1-million fine by the state Insurance Department for mishandling claims.

Whether or not it acknowledges failings in Oakland, the industry was taking an aggressive stance Thursday to put itself in a more positive light.

“We’re putting on the full-court press,” said Farmers Group spokesman John Millen. He said the company has set up disaster headquarters in its Santa Ana, Simi Valley and Carlsbad offices, plus special satellite offices for claims workers in Pasadena, Moreno Valley, Orange and Laguna Hills.

Many insurers have called in additional adjusters from around California or out of state and have established toll-free claims hot lines. Several also changed their claims handling procedures to designate a single person as responsible for each file, so consumers would be assured of continuity.

A key issue will be whether companies agree to upgrade coverage after the fact for victims whose policies were too limited to restore what they lost. Under political pressure, insurers made more than \$300 million in upgrades after the Oakland blaze.

For Betty Ann Bruno, whose four-bedroom home of 30 years was burned out in the Oakland Hills fire, dealing with her insurance carrier has been a costly debacle. And she has plenty of company at United Policyholders, a group of disgruntled residents who joined forces to pressure carriers into action.

“The insurance companies dragged their feet,” said Bruno, who retired last December as a television reporter and now lives north of San Francisco. “People haven’t been able to settle claims or rebuild. Meanwhile, they still are having to pay mortgages on their burned-out properties.”

Bill Rake, president of the Greenspan Co. public adjusting firm, said he saw one case in Oakland where an adjuster examined the remains of a luxurious 4,000-square-foot home and offered the family an advance

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to cover immediate living expenses.

“Clearly these are people of means,” Rake said, “and he gives them a check for \$2,500, which would last about three hours once they tried to put clothes on the children and find a place to stay. To tell you that that got the relationship off on a bad foot is an understatement.”

The Insurance Department reported recently that just 110 claims for total loss, or 3.4% of those filed, are unresolved. But United Policyholders says that is woefully understated. By its count, only 400 houses have been rebuilt, and 1,000 building permits are on file.

Torres, a likely candidate for insurance commissioner next year, plans a series of workshops where Southland fire victims can meet with policyholders who went through the claims process in Oakland. He has tentatively set the first session for Sunday in Pasadena but has yet to secure a place or meeting time.

United Policyholders’ advice to those in the fire zone:

- * Get organized. Policyholders of each insurance carrier should meet as quickly as possible to share information.
- * Insist that the insurer supply a complete copy of the insurance policy, not just the cover page. Scores of East Bay fire victims learned to their dismay that their policies’ “guaranteed replacement value” often did not include coverage of foundations or upgrades for plumbing and wiring that were required by new codes.
- * Insist that the same adjuster follow the claim all the way through to completion.

For those who escaped unscathed, Bruno recommended that they read their policies carefully and consider spending more money for additional coverage if they believe it might be warranted.

Times researcher Norma Kaufman in San Francisco contributed to this report. Mulligan reported from Los Angeles, Groves from San Francisco.

Largest Fires

California fires rank high on the list of the all-time worst U.S. blazes, according to the Insurance Information Institute. Here are the 10 worst fires in terms of insured losses, revised to 1992 dollars:

- * San Francisco earthquake: April 18, 1906; \$5.44 billion.
- * Chicago: Oct. 8, 1871; \$1.96 billion.
- * Oakland Hills: Oct. 20, 1991; \$1.75 billion.
- * Boston: Nov. 9, 1872; \$875 million.
- * Chemical plant: Pasadena, Tex.; Oct. 23, 1989; \$849 million.

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- * Baltimore: Feb. 7, 1904; \$777 million.
- * Los Angeles riots: April 29-May 1, 1992; \$567 million.
- * USS Lafayette: Feb. 9, 1942; \$456 million.
- * SS Grandcamp and Monsanto chemical plant: Texas City, Tex.; April 16, 1947; \$456 million.
- * Petroleum refinery: Norco, La.; May 5, 1988; \$391 million.

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