

## **What the California wildfire destruction means for homeowners and insurance**

PBS

One of President-elect Trump's most controversial nominees was the first to face the scrutiny of a Senate confirmation hearing. Defense Secretary-designate Pete Hegseth was questioned Tuesday about alleged sexual and financial misconduct as well as concerns he lacks the experience to manage more than three million employees. Hegseth has denied any wrongdoing. Lisa Desjardins reports.

Amna Nawaz:

With thousands of homes and buildings burned down, many expect the catastrophe to be one of the most costly natural disasters in American history.

Months before the fires, several insurers, including State Farm and Allstate, decided to leave the state or cancel thousands of home insurance policies, especially in fire-prone areas like the Pacific Palisades and Altadena.

Amy Bach, the executive director of a consumer advocacy group, United Policyholders, says homeowners now are just struggling to figure out what they need to do at a time when the market has been so chaotic.

Amy Bach, Executive Director, United Policyholders:

What people seem to be worried about most, number one, is, how long is it going to take me to get the money from my insurance company that I need? How am I going to pay for my temporary rent? Are they going to pay for that? And is it going to be a fight to get what I'm entitled to?

So I think people are wondering if they should be loaded for bear, ready for a fight, or whether their

insurer is going to step up and treat them fairly right out of the gate.

Amna Nawaz:

Joining me now to look at this is Jake Bittle, staff writer at Grist and author of “The Great Displacement: Climate Change and the Next American Migration.”

Jake, welcome to the “News Hour.” Thanks for joining us.

Jake Bittle, Author, “The Great Displacement: Climate Change and the Next American Migration”: Thanks for having me.

Amna Nawaz:

So, even before these 2025 wildfires, you saw insurers scrapping thousands of policies, limiting coverage in fire-prone areas. What was prompting them to do that? What’s behind that?

Jake Bittle:

Yes, so, basically, for a long time, the state of California had limited the amount that insurance companies could charge to their customers. And as fire damages kept going up and the insurers had to pay out billions of dollars in claims, especially in 2017 and 2018, the companies basically became convinced that they couldn’t make money or enough money doing business in California.

So, instead, they started to limit their exposure to the state. So, in the 2017 and 2018 fire seasons, they lost decades of underwriting profits when those big fires hit Northern California. And they basically just said, OK, we have got to get back out of here if we can’t charge more money.

Amna Nawaz:

There is this state-backed system, right, the California FAIR Plan. It’s supposed to be a last resort for homeowners who can’t get insurance coverage through other means. How many people use that plan? And how does that compare to the private insurance?

Jake Bittle:

Yes, so it's still a minority of all customers in California. It's about, I believe, 500,000 — or it's probably tripled over the past couple of years to about 500,000. And it's growing still as companies drop more policies.

Most people don't have to use it, but the people who do have to use it really don't like it because it's really expensive and it's not very good coverage. And if your home is really valuable, it doesn't give you full coverage. So people really are dissatisfied when they have to go on this plan, but it's growing pretty fast.

Amna Nawaz:

So you mentioned the state setting these rules that limited what insurance companies could charge. We should point out the California state insurance commissioner has now changed those rules. So insurers can set higher premiums after big disasters.

What's likely to be the impact of that? Is that actually going to help homeowners?

Jake Bittle:

Yes, I mean, I think that's the big question, right? So the deal that the state struck with insurers over the past year was, all right, we will let you charge a lot more money and in exchange you will stay in these disaster-prone areas and you won't pull out and leave the state.

And then insurers said, OK. So, in theory, they're going to charge a lot more money to a lot of their customers over the next year as they start to renew policies, especially in fire-prone areas. I think the question is, are there insurers going to hold to the deal that they made with the state not to pull out, right?

Because the worst-case scenario is not only do they get to charge a lot more money, but they also aren't offering coverage in these really fire-prone areas. So I think that's the big question. And the worst-case scenario is pretty bad.

Amna Nawaz:

We're looking at losses in like the tens of billions here potentially or more. What is going to happen to those people who don't have any kind of coverage? Is the federal government going to step in? I mean, what are their options?

Jake Bittle:

Yes, I mean, it's a really tricky situation, right? The federal government does provide some temporary displacement aid or help to replace certain contents from your home if you don't have insurance.

But if you're underinsured, right, like if you have a certain insurance policy, but it won't cover the cost of rebuilding your home, what I have seen in past wildfires is that people just basically have to go somewhere else, right? Like, they take the money that they can get and they buy a home in a cheaper area or maybe they rent somewhere, maybe they leave the state.

So I think when you have a gap between the insurance coverage that people have and what they need to rebuild, which you're going to see all over L.A., I think, that's when you start to get this kind of displacement effect where people just enter this chaotic housing market and maybe have to leave the specific neighborhood that they were in before.

Amna Nawaz:

It can't be sustainable to keep and sustain the insurance market in crisis like this, right? There's always going to be more disasters. There's likely more wildfire events ahead too.

So what kind of solutions are being considered to fix this? Are there any real proposals on the table?

Jake Bittle:

Yes, I mean, I think that the sort of consensus solution, which is just really hard to implement, is, you can't just keep throwing money at a problem where the risk is just continuing to go up, or you have to do something to mitigate the actual risk of fire, right?

And so it's, since it's really, really hard, as Los Angeles has learned, to stop the ignition of fire and to stop fire from spreading. The best thing you could probably do is reduce the risk to the homes themselves, right? Like, we know how to build homes that are relatively resilient to fire. We know how to build homes that don't catch on fire.

And we know how to design urban spaces that fires don't spread as easily. The problem is, that stuff's not exactly cheap and it's hard to convince existing homeowners of decades' old homes to spend tens of thousands of dollars retrofitting their homes, when they may never think that it's going to be necessary, right?

So I think that's the big question is how do you take this housing stock, which was built over the course of the 20th century, built millions of homes in vulnerable areas, and transition it to one that's more resilient without putting a huge additional cost burden on homeowners?

Amna Nawaz:

All right, that is Jake Bittle, staff writer at Grist, joining us tonight.

Jake, thank you so much. Good to speak with you.

Jake Bittle:

Thanks.