

MOVING FORWARD AFTER THE 2025 CALIFORNIA WILDFIRES



By: Cline Agency Insurance Brokers

January 2025

We are in the midst of one of the largest insurable loss events in U. S. history. The tragic events of the Palisades and Eaton wildfires will continue to impact policyholders in the weeks, months, and even years ahead. The consequence will be wildly felt, not just by policyholders who have suffered direct fire and smoke damage but by nearly everyone in California whose policy is coming up for renewal. Premium increases will be one outcome, but Californians can and should anticipate stricter underwriting guidelines as well. Unfortunately, burying our heads in the sand is not an option.

Did you suffer an Insurance Loss?

Contact your insurance agent or broker to help guide you through the claims process. They can help you review the coverage details, including limits and deductibles, and help give you an idea of how the claims process works. As an insured, it is considered your duty to:

1. **Contact** your insurance company promptly about the loss.
2. **Report** the loss with as much detail as you have, including what, how, when, and where.
3. **Cooperate** with the carrier. Permit them to inspect the property, and without disruption of evidence or proceeding with unapproved repairs. Be sure to send them any legal papers or notices concerning the loss.
4. **Use Due Diligence** when hiring contractors, relying on the advice of legal experts to develop an action plan, as well as taking photos and logging all information throughout the claims process.

Additional Considerations

1. Homeowners Associations (HOAs) should consider assigning or appointing a single point of contact for the claim. Having multiple board members (or even unit owners) inject themselves into the claim process only slows down the claim, leading to confusion and misunderstandings.
2. For owners living in an HOA, it is imperative that they contact their personal insurance carrier. Again, with many areas currently uninhabitable, there will be a lot of additional living expenses that will not be covered by the HOA's insurance. The owner's policy is looking out for the individual while the HOA's policy is concerned with the community at large, and the HOA adjuster may not even speak to the individual owners beyond accessing their units.

PAGE 1 of 2

What if you haven't suffered an Insurance Loss?

While insurance carriers are reviewing the numerous claims, it may be a challenge for you to secure suitable (and affordable) replacement coverage as your policy comes up for renewal. Finding replacement coverage is almost always possible, but finding what you or others consider "affordable" could prove challenging. For example, you might belong to an HOA where many of the residents are living on fixed incomes and these large increases will be a heavy burden.

From the insurance carrier's standpoint the aftermath of these huge fire losses will likely lead to higher rates as they need to replenish their reserves in order to have enough money to pay future claims. We also expect to see even stricter guidelines when it comes to brush exposure and fire mitigation for trees/shrubs around the property. While some consumer groups seem keen on locking insurers into existing rates and terms, undercharging for coverage simply exposes any insurer to the potential of insolvency.

Consider Increasing your Property Limit. The demand surge from these fires is certain to drive up the cost of construction from both a labor and building materials standpoint. So the limit you currently maintain may no longer be sufficient. Unfortunately, there's no way to know what it may cost to rebuild at the time of loss, but we would recommend that the Board review this and consider increasing the limit you maintain.

Be careful about purchasing insurance simply based on price.

If the carrier becomes bankrupt at the time of loss, then you paid too much.