



NEWS BRIEF

VERISK ESTIMATES LA WILDFIRE INSURED LOSSES AT \$28 TO \$35 BILLION

Verisk's Extreme Event Solutions team has projected insured losses ranging from \$28 billion to \$35 billion for the Palisades and Eaton Fires that devastated thousands of acres in Los Angeles County over the last two weeks.

According to the modeler, the estimate includes private market and California FAIR Plan losses. Verisk said the Palisades Fire is expected to cost between \$20 billion and \$25 billion, while the smaller Eaton Fire losses will range from \$8 billion to \$10 billion.

Most of the losses are to residential properties, the firm added, and the Pacific Palisades region has some of the highest property values in the U.S., with losses expected to include personal articles, including jewelry, fine art, and other high-value items.

"The ongoing devastation from these deadly wildfires is truly heartbreaking," said Rob Newbold, president of Extreme Event Solutions at Verisk. "We are advancing science and risk management to help communities build resilience against disasters like these catastrophic wildfires. The amount of data and insights to support mitigation efforts continues to grow, which can help inform how communities rebuild in the wake of this disaster."

INSURANCE MARKET STATUS

The devastating wildfires also highlight the long-term availability and affordability crisis in the California property insurance market. At least seven insurers have backed away from writing new business in wildfire-exposed regions in the last two years and/or nonrenewed policies, citing the inability to adjust rates to match exposure.

California Insurance Commissioner Ricardo Lara recently issued a landmark regulation to allow insurers the ability to use catastrophe model output and the cost of reinsurance in their ratemaking processes rather than solely historical data. The rule comes with the caveat that they must increase their share of the homeowners insurance market in wildfire-prone areas.

As a result of insurer exits, the California FAIR Plan's market share has increased significantly. As of September 2024, the Plan's total exposure stood at \$458 billion, a 61.3% increase in just one year and well above the \$153.4 billion in exposure the Plan covered in September 2020. Total policies in force for the FAIR Plan rose 41% between September 2023 and 2024, while policy count over the last four years has jumped 123% for dwelling policies and 161% for commercial policies. In the Pacific Palisades region, where wildfires have burned over 15,000 acres to date, the FAIR Plan has an estimated \$5.8 billion in exposure.

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