

# “From Sparks to Strategy: Wildfire Risk, Insurance, and Corporate Protection”

Prepared for the Benefit of ACC  
Southern California & its Members



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

# Your HUB Panel:



**Adrian Atilano**

Executive Vice President

Professional & Executive Risk Practice Leader

Office: (858) 373-6948

Mobile: (619) 246-9215

[Adrian.Atilano@hubinternational.com](mailto:Adrian.Atilano@hubinternational.com)



**Russell Watts**

Vice President, Property & Casualty

Office: (949) 632-1422

Mobile: (949) 444-3259

[Russell.Watts@hubinternational.com](mailto:Russell.Watts@hubinternational.com)



**Stacy Harris**

Private Client

Strategic Account Executive

Office: (858) 373-6927

[Istacy.Harris@hubinternational.com](mailto:Istacy.Harris@hubinternational.com)



**Irene Damsky**

Vice President

Risk Services

Office: (858) 373-6927

[Irene.damsky@hubinternational.com](mailto:Irene.damsky@hubinternational.com)



**Samantha Frieze**

Assistant Vice President

Strategic Claims Practice

Office: (818) 257-7479

[Samantha.Frieze@hubinternational.com](mailto:Samantha.Frieze@hubinternational.com)

# Agenda

- 1** Bullet Point Assessment:  
The Impact of the Los Angeles Fires
- 2** Protecting Your Home –  
Learning From the Past
- 3** Protecting Your Business –  
Get Adequately Covered
- 4** Anatomy of a Fire –  
What Can We Do To Mitigate This Risk?
- 5** Worst Case Scenarios –  
Navigating the Claims Process

# Bullet Point Assessment: The Impact of the Los Angeles Fires

## Best Practices & Relative Impact of Southern California Fires





# The Los Angeles Fires: Statistics Thus Far

- On track to be the costliest fire in US History
- Burned 55,082 acres in total
- 16,240 homes and commercial properties (Palisades @ 6,822 & Eaton/Altadena @ 9,418)
- Estimated Total Insured Losses @ \$35-75 Billion
- Total Projected Damages & Economic Loss: \$250 to \$300 Billion
- Current Death Toll at 29



*“We are one event away from a large assessment,” Victoria Roach, president of the FAIR Plan, told the California state legislature last year. “There’s no other way to say it, because we don’t have the money on hand [to pay all the claims] and we have a lot of exposure.”*



# Relativity to Historical CA Fires

Table 1. The Five Most Severe Wildfires in California and Their Loss

Wildfire Name	Time	Counties	Impacted Zip Codes	Impacted Acres	Deaths	Structure Loss - Total (A)	Weighted Median Home Prices Prior to the Fire, \$ (B)	Simple Total Loss based on Median Prices, Thous \$ (C=A*B)	Total Insurance Claims, including Residential, Commerical Properties, Auto, Personal Items, Thous \$ (D)	Ratio (D/C)
Tubbs	October 2017	Napa, Sonoma	95403, 95404, 94515	36,807	22	5,399	679,544	3,668,860	8,760,030	2.39
Thomas	December 2017	Ventura, Santa Barbara	93001, 93004, 93023, 93013, 93060, 93108	281,893	23	678	899,501	6-9.863	1,520,571	2.49
Camp	November 2018	Butte	95954, 95965, 95969	153,336	86	11,882	335,000	3,980,470	8,258,256	2.07
Woolsey	November 2018	Ventura, L.A.	90265, 91301, 91302, 91307, 91361, 91377	96,949	3	1,221	1,165,246	1,422,766	2,980,740	2.1
Paisades + Eaton	January 2025	L.A.	90265, 90272, 91001	40,644	28	16,240	2,090,000	33,944,000		

Source: "Economic Impact of LA Wildfires", UCLA Anderson Forecast Feb. 2025

# California Fair Plan-of-Action

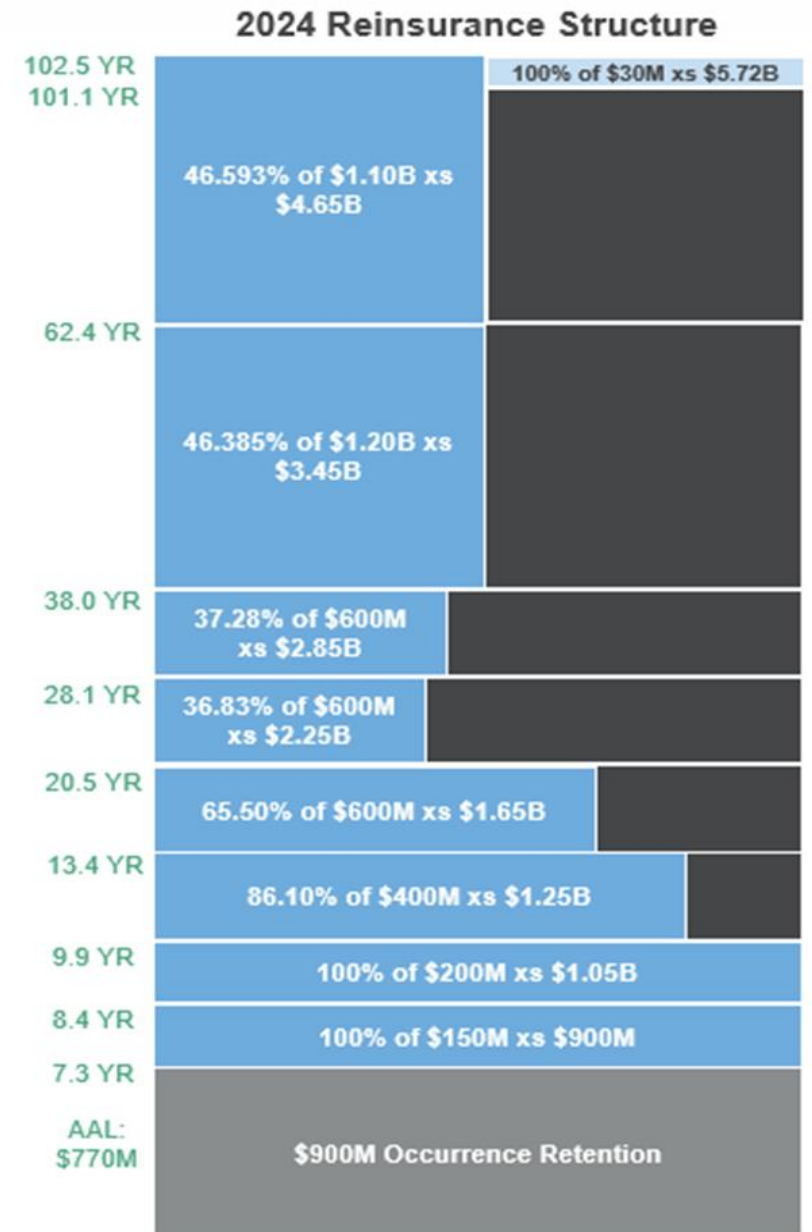
So far –

- Approximately 4400 claims have been filed
- Of the almost \$5B in exposure, estimated reserves are approximately \$375M to \$400M
- Claims will be paid from the following 3 sources in the following order:
  1. Premiums from all of the FAIR Plan policies issued in the State of California
  2. Reinsurance - the FAIR Plan purchases roughly \$2.65 billion in reinsurance
  3. All remaining costs will be split amongst all of the licensed insurers in the states (such as State Farm), with costs allocated according to each company's market share. Insurers in California are collectively on the hook for the first \$1 billion above what the FAIR Plan can pay, and then those carriers can collect half of that from their policyholders. For any funds needed above \$1 billion, the order provides that insurers and the FAIR Plan can obtain approval to assess all policyholders in the state.

This assessment will be on top of substantial rate increases.

## FAIR Plan Reinsurance Structure:

- \$900 million per occurrence retention
- Total reinsurance limit is \$2.6 billion
- Tower exhausts at \$5.75 billion  
(the 102 year modeled return period)
- The black boxes are coinsurance





# Protecting Your Home – Learning From the Past

## Best Practices & Relative Impact of Southern California Fires



# Personal Lines Carriers: Then and Now

- Roughly 150 carrier writing personal lines (Homeowners) insurance in California in 2023
- That list is now down to 7 + carriers: Chubb, Cincinnati, Berkshire Hathaway, Pure, Safeco, Mercury, CA Fair Plan + non-admitted carriers
- Potential trigger: it took too long to get a rate increase approved by the office of the insurance commissioner.
- Other perils compounding the problem: Earthquakes, Floods, Mudslides



*But some things stay the same:*

- *Be Prepared – do your homework!*
- *Read exclusions*
- *Documentation is STILL key*



# 2023 Top Homeowners Insurance Carriers in CA

Insurance Group and Ranking (2022)	Market Share	2023 Rate Increases (Pending & Approved)	Major Action Since 2022
1. State Farm	21.22%	28.1%	Paused new policies
2. Farmers (10 companies)	14.9%	17.7%, 12.5%	Limited new policies to 7,000 per month
3. CSAA (2 companies)	6.9%	18.55% (approved 2021)	
4. Liberty Mutual (6 companies)	6.6%	29%, 10.6%	
5. Mercury	6%	12.6%, 7%	
6. Allstate (5 companies)	6%	39.6%	Paused new policies
7. USAA (4 companies)	5.7%	30.6%, 16.5%, 6.9%, 3%	Restricted underwriting to low-risk only
8. Auto Club	5.1%	20%	
9. Travelers	4.2%	21.7%	Limited new policies
10. American Family (3 companies)	2.8%	22.7%, 6.9%, 6.9%	
11. Nationwide (2 companies)	2.5%	19.9%, 24.5%	Limited new policies
12. Chubb (8 companies)	2.2%		Ceased writing high-value homes with higher wildfire risk, and non-renewed some high-value homes

Source: "California's Sustainable Insurance Strategy" by Ricardo Lara, CA Department of Insurance



# Sample Premium Comparisons:

2023 State Farm premium for a \$11M Home in San Diego: \$14,500

In October of 2024:

Actual appraisal of home - \$11M – Carriers would only offer \$8M limit

\$8M Home - \$90,000 premium w/Chubb

\$1M Contents - \$22K w/Lloyd's

No loss of use coverage

Personal liability - \$1,000 w/Lloyd's

\$100K deductible

Marketed with 3 different carriers

Total annual premium: **\$103K**

# Recent Rate Increase Announcements



California's largest home insurance provider, [State Farm](#), has asked state regulators for emergency permission to raise homeowners' rates by an average of **22%**, starting May 1, to avert a "dire situation" for the company's finances following the fires, according to [a Monday letter](#) to the state's insurance commissioner. The company also asked to raise premiums for renters and condo owners by **15%** and by **38%** for landlords.

Source: [1] <https://www.businessinsider.com/california-largest-home-insurer-state-farm-premium-hike-la-fires-2025-2>



# Protecting Your Business – Get Adequately Covered

## Best Practices & Relative Impact of Southern California Fires

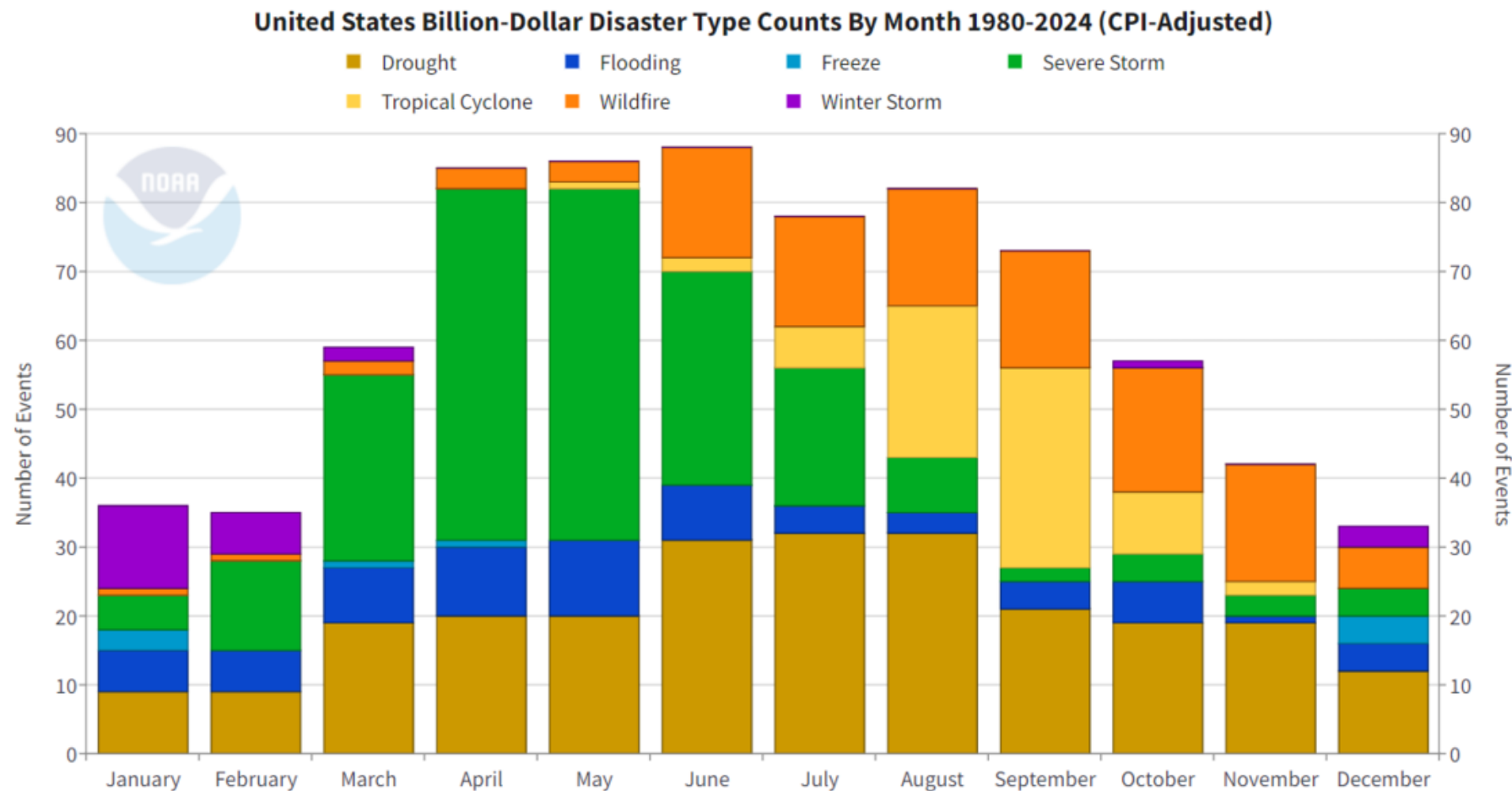


# January 1<sup>st</sup> Commercial Property Reinsurance Renewal

- 4 Big Reinsurers – Munich Re, Swiss Re, Hanover Re, and SCOR
- Reinsurers averaged combined loss ratios of 91.4% for the first 9 months of 2024, this resulted in 4-9% property rate decrease(s)
- Many reinsurance renewals saw rate decreases
- Estimated \$35B of Insured Losses will erode 30% of CAT Budgets for 2025
- At UCLA Anderson's projected \$75B, 64% of CAT Budget



# Potential CAT Losses on the Horizon...



Source: Climate.gov; 10 2024: An active year of U.S. billion-dollar weather and climate disasters

# Commercial Impact Projections

- **0.48% decline in county-level GDP for 2025, amounting to approximately \$4.6 billion**
- **Total wage loss of \$297 million for local businesses/employees in the affected areas**
- **However, among the sectors that stand to gain: construction workers and contractors, environmental and building cleanup firms, real estate agents, owners of short-term rentals, furniture makers and interior designers, retailers selling household goods and hardware, and companies promising to fireproof your home.**





# Impact on Retail Sector

- The region's retail sector had just begun to regain its footing after Covid-19, the prolonged writers/actors strikes in Hollywood and the subsequent layoffs. Instead of gaining stability, hundreds of small businesses now face the possibility of permanently shutting their doors, with losses that might never be recovered.
- Nearly 1,900 small businesses were within the fire burn zones and were probably affected, according to an estimate from the L.A. County Economic Development Corp. Those businesses supported roughly 11,400 jobs, the group said.





# Impact on Commercial Insurance

- A halt to tourism and a dampened enthusiasm for the 2026 Olympic Games have prompted a nationwide plea from ‘Visit California’ – the state’s leading tourism organization.

- A ‘Silver Lining’:

Many will use the opportunity to rebuild from the ground up as a way to incorporate modern fire-prevention measures into their plans, said John Schneyer, research director at real estate industry analyst CoreLogic.

## **BOTTOM LINE:**

**All industries will feel the impact and – similar to Homeowners in our state - will hopefully use this as a warning to be prepared.**



# Anatomy of a Fire – What Can We Do To Mitigate This Risk?

## Best Practices & Relative Impact of Southern California Fires



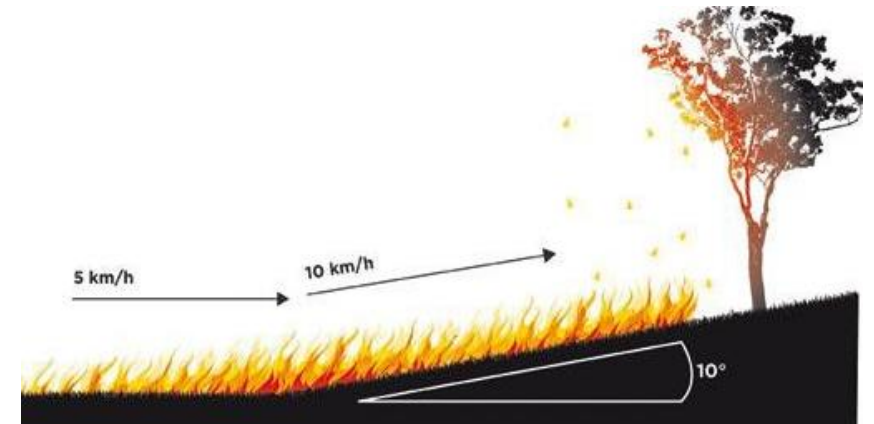
# Steps to Mitigate Wildfire Exposure

## Wildfire Response Plan

- **Site preparation – before an event**
  - **Fuel abatement – defensible space**
  - **Harden building against fire exposure**
- **Site preparation – in an evacuation**
- **Securing property after a fire**
- **Resuming occupancy and operations**
- **Consider Private Firefighting Service**
- **Consider Fire Retardant Sprays and Applications**

# Site Preparation - Vegetation (Fuel)

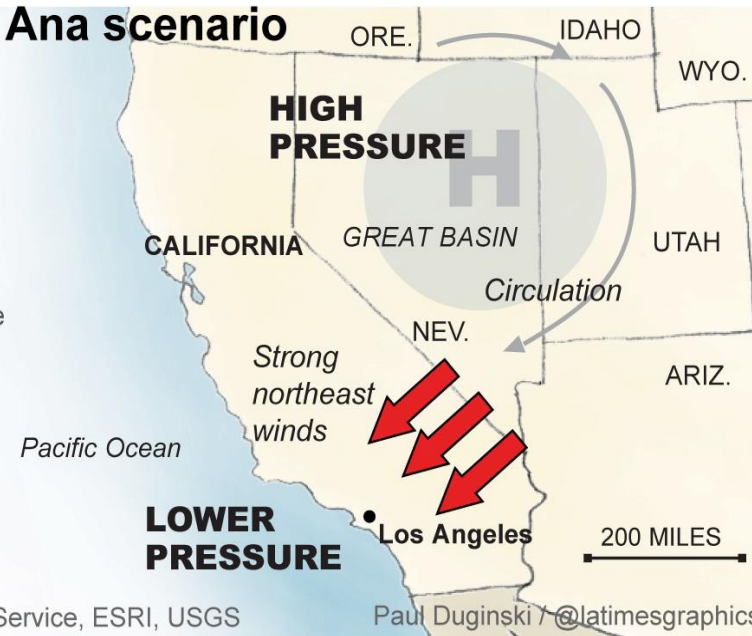
- Grass
- Dry branches, twigs and leaves
- Fibrous and dry tree bark
- Wood structure members, wood decks, wood piles, outdoor furniture
- Fires travel in the direction of the ambient wind, which usually flows uphill.
- Warmer temperatures allow for fuels to ignite and burn faster, adding to the rate at which a wildfire spreads.



# High Pressure Generated Winds

## A typical Santa Ana scenario

Most Santa Ana wind events are caused by high pressure in the Great Basin and lower pressure off the coast. High pressure flows to lower pressure, and the gradient, or difference, causes the intense winds.



Sources: National Weather Service, ESRI, USGS

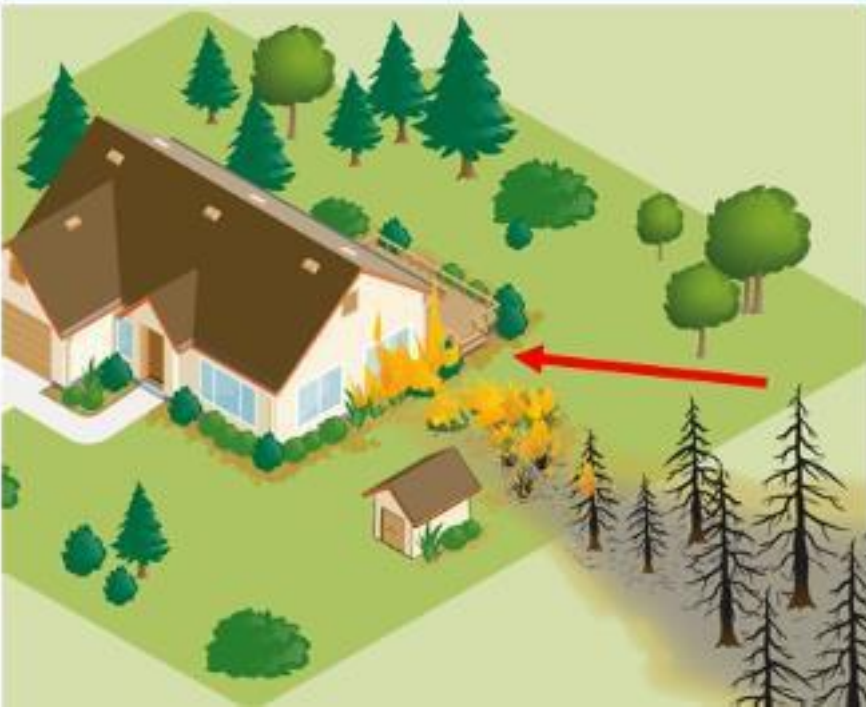
Paul Duginski / @latimesgraphics

The National Weather Service defines **Santa Ana winds** as "Strong down slope **winds** that blow through the mountain passes in southern California. These **winds**, which can easily exceed 40 miles per hour (64 km/h), are warm and dry and can severely exacerbate brush or forest fires, especially under drought conditions."

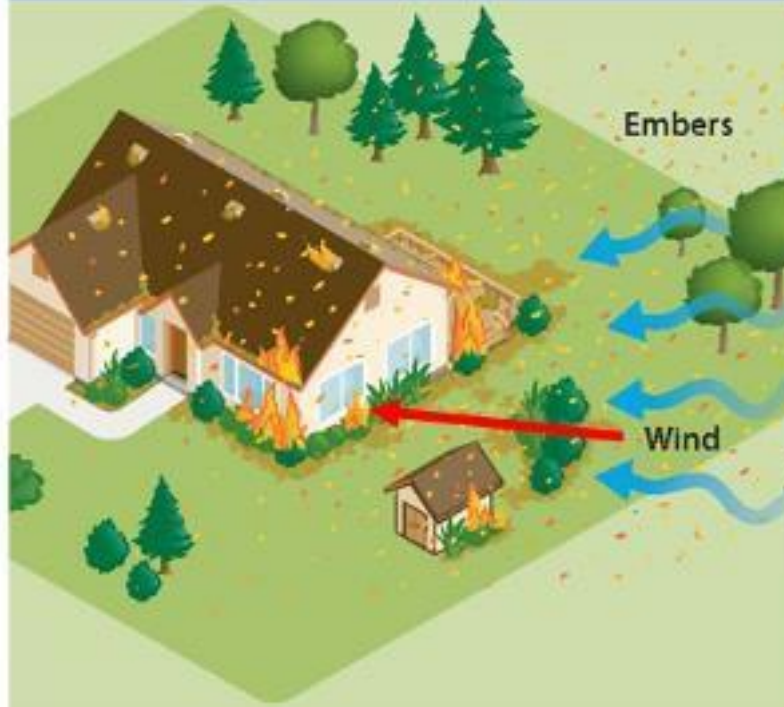


# How Structures Catch Fire

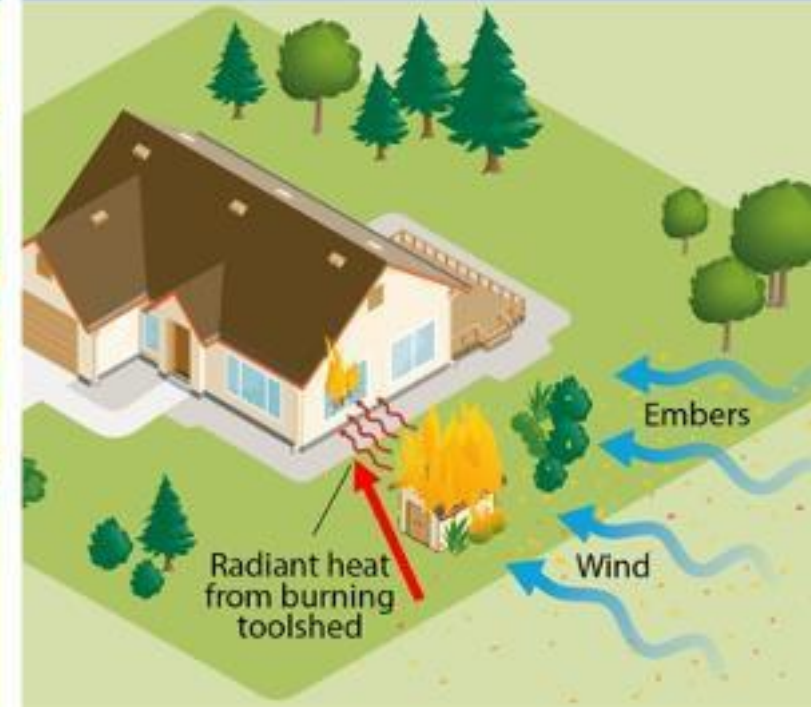
## Direct flame contact



## Embers



## Radiant heat



# The Dangers of Embers

- Embers are burning twigs, leaves and pieces of debris
- Ember attack occurs when twigs and leaves are carried by the wind and land on or around structures
- Ember attack is the most common way structures catch fire during bushfires
- Embers are often as hot as the fire which created them.
- During a fire, embers can travel up to 1 mile or more, starting spot fires well ahead of the fire.



# Example of the Dangers of Embers...

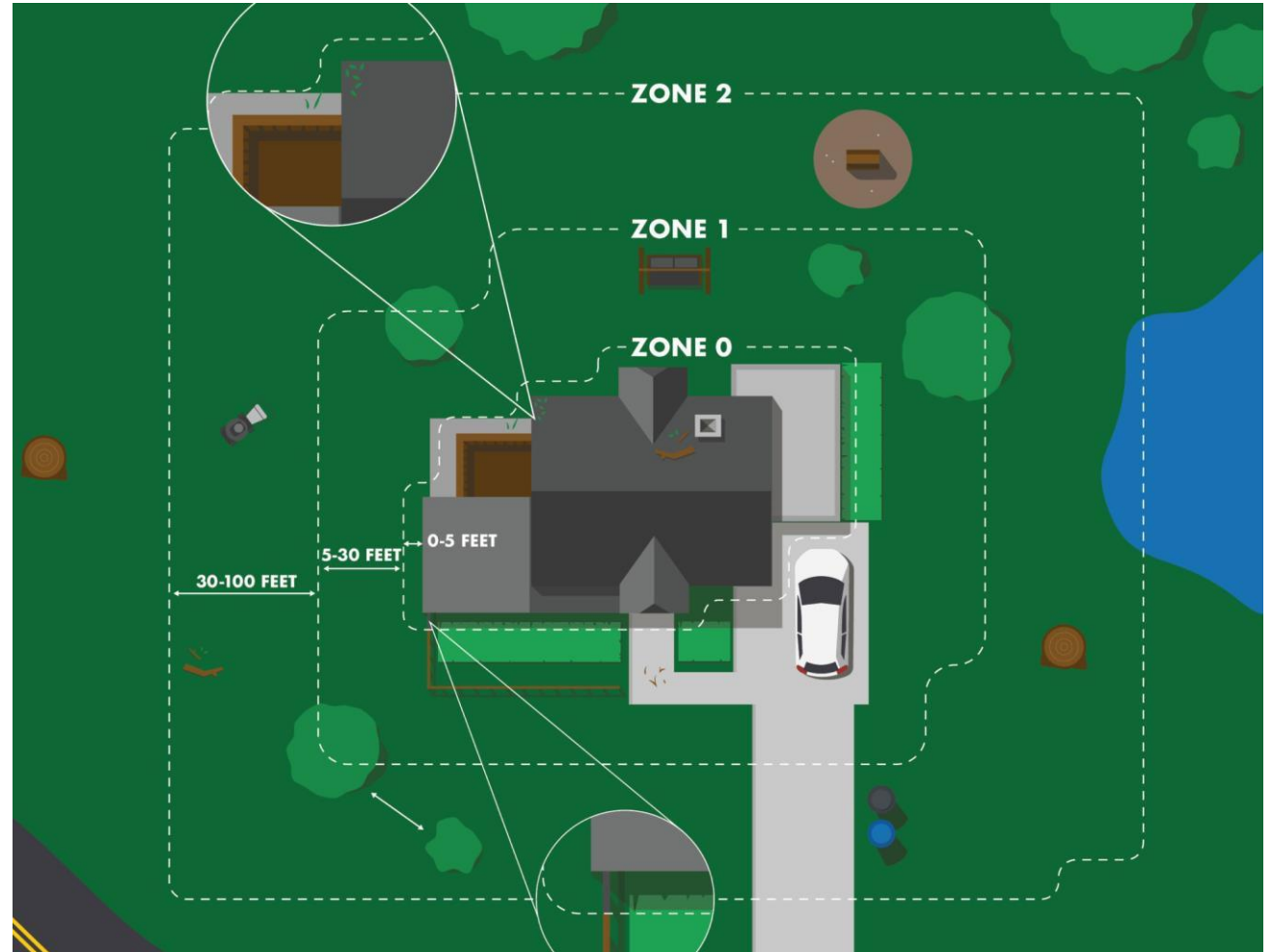


*Note the intact, unburned vegetation surrounding the structure. This indicates that the house was ignited by wind-blown firebrands, not by surface fire spread or radiant heating (Murphy et al., 2007).*



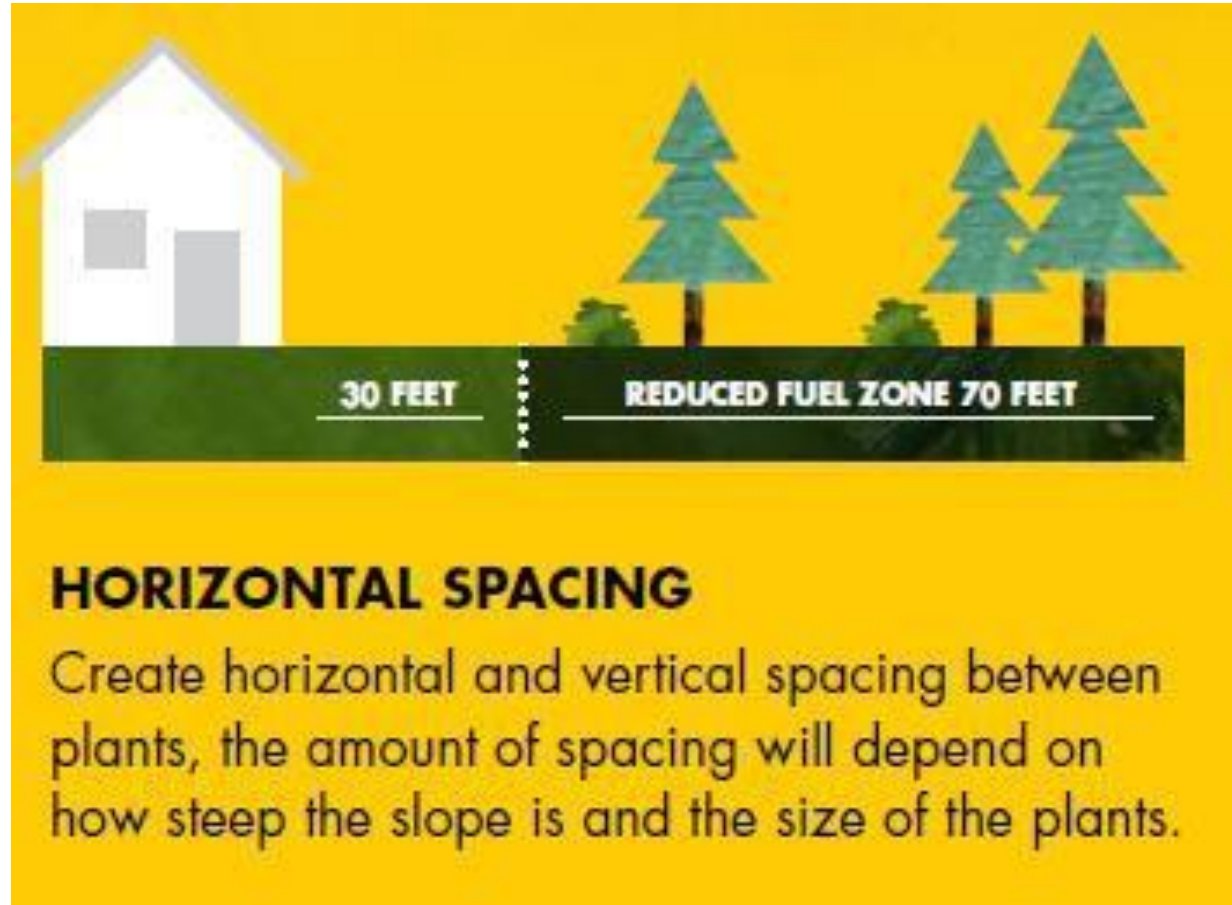
# Site Preparation - Defensible Space

- Defensible space is the area around a home or other structure that has been modified to reduce fire hazards.
- In this area, natural and manmade fuels are treated, cleared, or reduced to slow the spread of wildfire.
- Establishing defensible space reduces the likelihood of a home igniting by direct contact with flame or by exposure to the radiant heat of the fire.
- It also helps limit local production of embers and reduces the chance a structure fire will spread to neighboring homes or surrounding vegetation.





# Horizontal Spacing



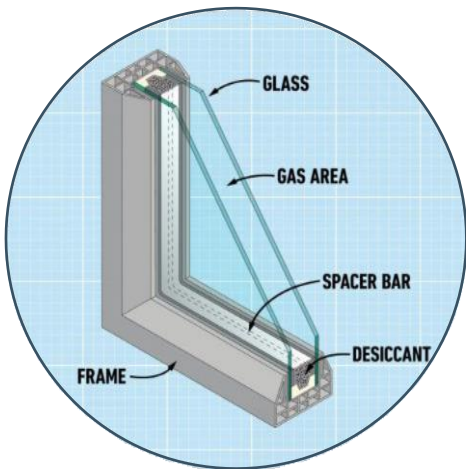
# Vertical Spacing



# Site Preparation - Structure Hardening



**Class A Roofs**



**Dual-Pane Windows**



**Replace Plastic Skylights**



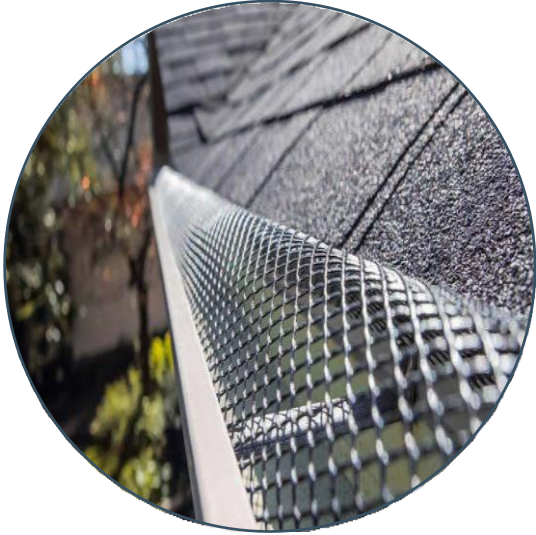
**Ember Guard Vents**



**Non-Combustible Gates & Fences**



# Site Preparation - Structure Hardening Cont...



**Gutter Guards**

**Closed/Boxed  
Eaves**



**Non-Combustible  
Decks**

**Chimneys & Roof  
Vents**





# Site Preparation & Evacuation – Elimination of Exterior Fuel Sources



# Private Firefighting Services

- Fire Retardant Sprays and Applications
- Active Wildfire Response

Additional Services they offer:

- Vegetation Mapping and Modeling
- Fuel Abatement and Brush Clearance
- Real-Time Wildfire Monitoring

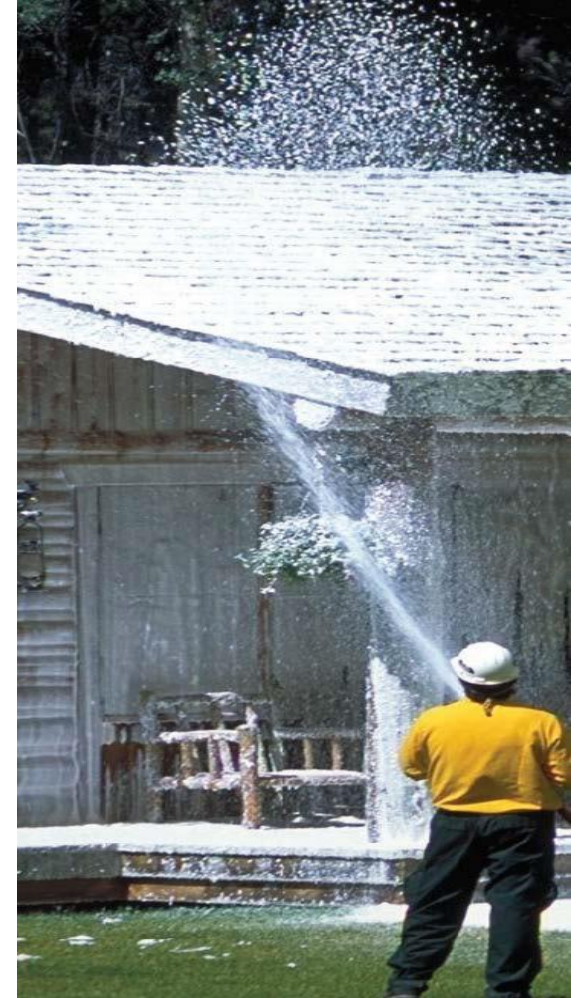




# Fire Retardant Applications

## Types of Fire-Retardant Products

- Foam
- Gel
- Long Term Powder



# Carrier Requirements

## Regulation 2644.9

Regulation 2644.9 mandates 12 mitigation measures to be reflected in property insurance rates, grouped into the following three categories.

**A. Community-level designations.** Insurers must offer rate relief to policyholders whose homes or businesses are located in communities designated as a:

- [Fire Risk Reduction Community](#) by the Board of Forestry and Fire Protection.
- [Firewise USA site in Good Standing](#).
- [CalFire – California Community Wildfire Protection Plans](#) ( New\*)

**B2. Property-level: Building hardening.** Insurers must offer rate relief to policyholders who take any of the following five (5) mitigation measures.

- Class-A fire-rated roof, which provides the highest level of fire protection and resistance.
- Enclosed eaves, which reduce the risk of embers igniting the roof or entering the attic.
- Fire-resistant vents, which resist or prevent the intrusion of flames, embers, and radiant heat.
- Multi-pane windows, which help prevent fire from entering the home.
- At least six inches of noncombustible vertical clearance at the bottom of the exterior surface.



## Regulation 2644.9 (Cont.)

**The regulation states that insurers *may* also consider other wildfire risk mitigation measures.** These optional mitigation measures include, but are not limited to, the following.

- Fuel: Type and density of combustible material.
- Slope: Position of structure relative to potential sources of ignition.
- Access: How easy it is for firefighters to access the structure.
- Aspect: Direction of the slope relative to the structure.
- Structural characteristics: Year the building was constructed and whether it has fire-resistant siding material.
- Wind: Degree to which wind speed or direction could affect a wildfire's progression.
- Other relevant characteristics.

# Planning Promotes Resiliency...



# Complex Risk Enterprise Risk Management

## WHAT WE ARE FACING

!! Supply chain disruptions, rising costs

!! Economic volatility

!! Uncertainty around AI

!! Nuclear verdicts

!! Workplace violence

!! Consumer trends

!! Talent retention, benefit costs

!! Damaging social media activity

!! Cyber threats

# ERM Overview

Enterprise Risk Management (ERM) is a structured process for *identifying, analyzing, monitoring* and *managing* risk.

- Threats to the execution of your goals and objectives from *ANY* source
  - People: insufficient succession planning
  - Operations: loss of key supplier
  - Financial: closure of banking partner
  - Strategic: lack of initial success in new program or service
  - Legal/Regulatory, hazard, process, ESG
- ✓ Deeper understanding and documentation of risk profile
- ✓ Establishment of formalized practice
- ✓ Greater control of risks, smarter risk-taking
- ✓ Measure of mitigation effectiveness
- ✓ Compliance support
- ✓ Decreased volatility and fewer surprises
- ✓ Common risk language
- ✓ Increased risk awareness
- ✓ Formal statement of appetite and tolerance



## Worst Case Scenarios – Navigating the Claims Process

## Best Practices & Relative Impact of Southern California Fires



# Claim Reporting Tips

- **PERSONAL & COMMERCIAL LINES**
- **WHAT IS NEEDED:**
  - Name & Policy Number
  - Date of loss
  - Description of Loss, including cause
  - Location of loss
  - Primary loss contact
  - Pictures/Video
  - Lease agreement, if applicable

# Now that the claim has been reported...

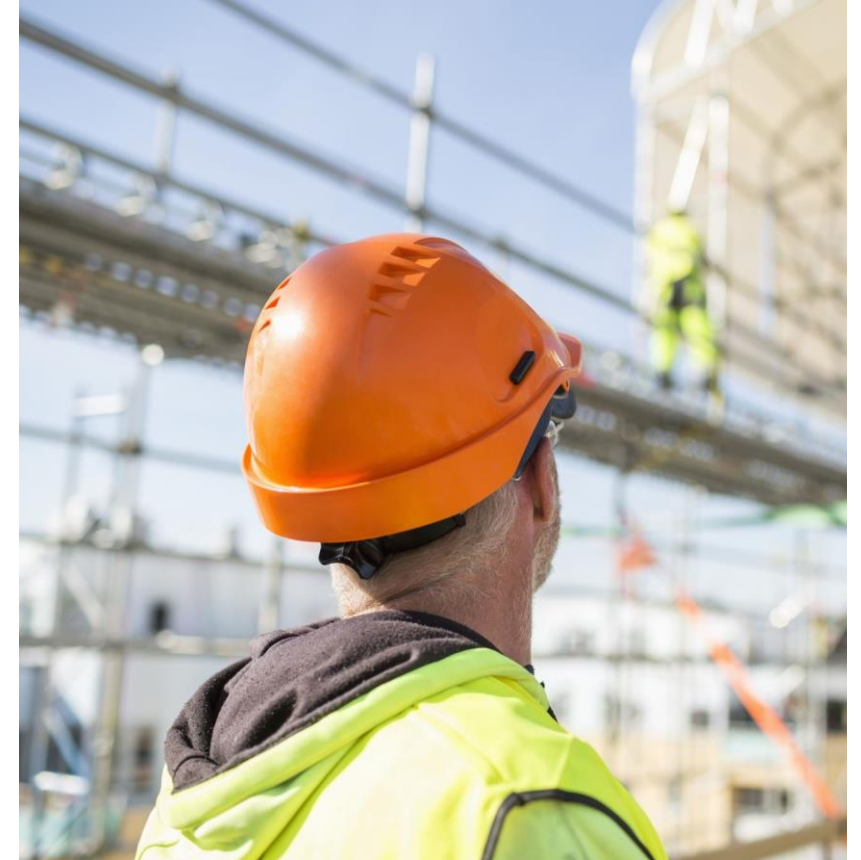
- Adjuster assignments usually within 24-48 hours. (Allow a minimum of 3-5 days in catastrophic events)
- Schedule a call with your adjuster
- Compile your questions before the call (coverage limits, deductible, inspection, relocating, resources, advance payments)
- Schedule an inspection with your adjuster and your contractor
- Mitigate your loss/Secure the property as needed (perimeter fence, board-up)



# Things to Consider...

- **SAFETY FIRST**

- Wait for authorities to grant access
- Beware of hazards such as no power, no clean water, down power lines, structural damage.
- Schedule your initial property inspection with your adjuster and your contractor. They will bring the necessary experts to assist in the claim process and evaluate if building is safe to enter.





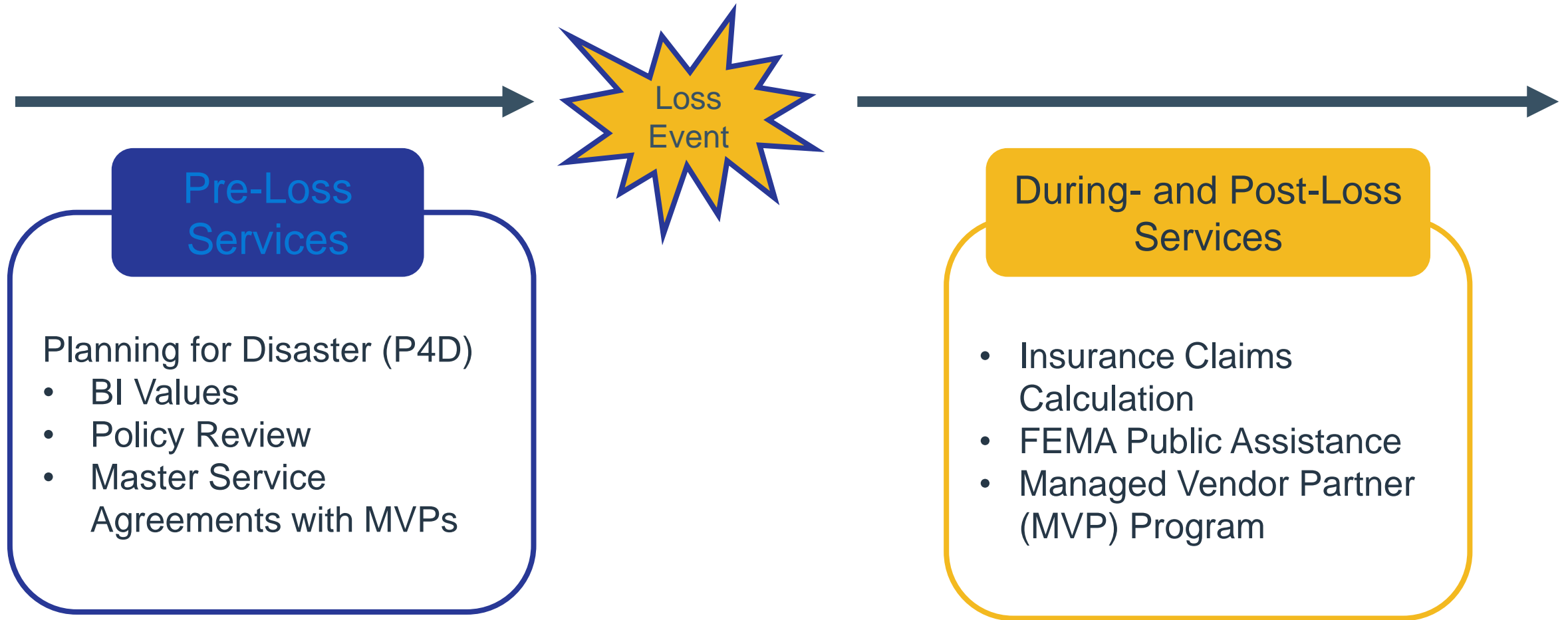
# It's Never too Late to Start Looking for a Contractor!



- Where to find good resources:
  - Your Broker
  - Your insurance carrier
  - A referral from a trusted friend/neighbor
  - Contractors previously used/recent remodel
  - The original home builder.



# Disaster Recovery Services



# Additional Living Expenses/Relocating



- Verify coverage with your adjuster, including any time limitations or specific dollar amounts. (36 months, reasonable loss sustained, \$700,000 ALE limit)
- How do I know if I have a monthly maximum.
- How to navigate through a housing market with rapidly rising costs
- What to do if my adjuster has not been assigned and I need to sign a lease
- How to navigate through a housing market with rapidly rising costs

# Advance Payments

Talk with your adjuster about an advance payment.

Find out what will be needed to obtain a timely payment. (It will vary depending on your damage.)

Less paperwork needed during catastrophic loss events

Significant advances for total loss properties

Advance payments for additional living expenses

# Debris Removal Options/U.S Army Corp of Engineers

- **Services:**
  - Phase I: Household hazardous material collection and disposal.
  - Phase II: Removal of ash, burned structural remains, and hazardous materials.
  - Opting in/opting out of the program
  - [www.spl.usace.army.mil](http://www.spl.usace.army.mil)
  - <https://recovery.lacounty.gov>



# Documenting Your Loss

- **Additional Living Expenses-** Detailed records/receipts of costs for housing, food, travel and extra expenses you incur from being evacuated
- **Building Damage & Contents-**Previously recorded videos, pictures, appraisals, and Inventory lists for documenting condition prior to the loss.
- **Accounting-**Set up separate file within home or business accounting system to capture all claim costs
- **Alternatives-**In the event of a catastrophic loss the carrier can provide alternative ways for you to document.
- **Receipts-**Original receipts vs Credit card receipts

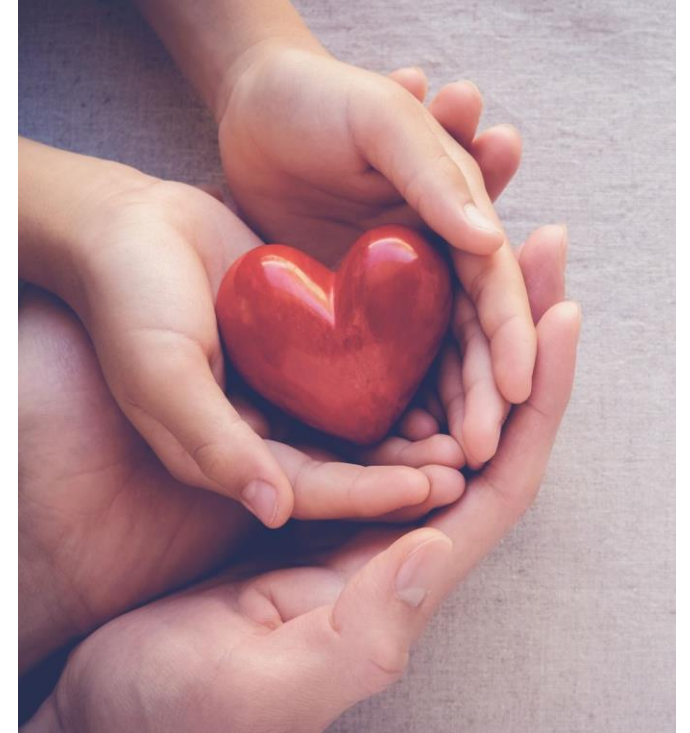




# How We Support Our Clients...

## As a part of HUB's claims department of 2 Managers, 9 Claims Specialists, and 3 Claims Assistants

- We report the claim on their behalf and provide them with the carrier adjuster information
- Conduct review of coverage limits and address clients questions
- Provide vendor resources (remediation experts, contractors, temporary housing companies, forensic accountants)
- Listen and support (Attend their board meetings, conduct corporate zoom calls, attend their outreach events, coordinate inspections)
- Participate in loss site inspections with the adjuster and client
- Provide guidance throughout the claim process
- Advocate on their behalf in settlement negotiations



**Thank you**

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**Adrian Atilano w: 858.373.6948 c: 619.246.9215**

**Russell Watts w: 949-623-1422 c: 949-444-3259**

