



March 2025 | Volume 5 | Issue 3

NEWSALERT

Property Insurance

Expect Surcharges on Your Policy for L.A. Fires

EVEN IF you have a business or a home that was not affected by the recent wildfires in Los Angeles, you will likely see a surcharge to help pay for them on your next property insurance policy renewal.

The state-run California FAIR Plan, which is the market of last resort when policyholders are unable to find coverage from private carriers, expects its total loss from the Palisades and Eaton fires to come in at \$4 billion.

Under its charter and state law, if it exhausts its funds, the plan can surcharge all commercial property and homeowner's insurers in the state after approval from the state insurance commissioner.

Commissioner Ricardo Lara approved the Fair Plan's request in early February to surcharge insurers a total of \$1 billion, which will be assessed depending on each insurer's market share. Under state law, those carriers are allowed to pass half of their assessment on to their policyholders in the state. It's unclear how much each policy will be surcharged, but the fee will partly be based on the size of each policyholder's annual premium.

Without the assessment, the FAIR Plan would run out of funds by the end of March and be unable to pay all of the claims from the fires, as well as claims from unrelated or future events and operating expenses, including the cost of increasing staff to respond to the disaster.

The state of play

The L.A. fires are one of the costliest natural disasters in the history of the country. Consulting firm Milliman estimates that the wildfires will cost \$23 billion to \$39 billion in insured losses.

As of Feb. 11, the Fair Plan had paid out about \$800 million in claims, leaving it with about \$1.2 billion in cash on hand.

It has also tapped reinsurance, which is basically insurance for insurance companies. It has multiple layers of reinsurance, but it cannot access all of them until it spends more of its funds on claims. It now has access to the first tranche of coverage worth \$350 million after it met its \$900 million deductible.

The FAIR Plan can access additional layers of reinsurance based on the claims incurred and outstanding reserves, up to a \$5.78 billion limit. To access all layers of available reinsurance, the plan would have to pay out about \$3.5 billion, including the \$900 million deductible, and copays. That's more than its cash on hand.

After accounting for its reinsurance package, the FAIR Plan expects to pay out \$2.3 billion of the remaining \$3.1 billion reserved for unpaid losses from the fires.

How it will affect your policy

To help the plan cover the \$1 billion shortfall, it will surcharge each property insurer in the state based on their market share two years prior to the assessment.

The surcharge will likely be added during your next policy renewal. ❖



NEW OSHA RULE: Expect indoor heat illness prevention rules to take effect sometime in 2025.



K Taylor Insurance Solutions

15068 Rosecrans Ave. Suite 114
La Mirada, California 90638

Phone: (562) 758-3482

E-mail: kpt@ktaylorinsurance.com

www.ktaylorinsurance.com

Property Insurance Won't Cover Landslides

BUSINESSES AND homes located in areas that have been hit by wildfires have another risk they face after the fires subside: flooding, landslides, debris and mudflows. These events are not covered by a standard business property or homeowner's insurance policy.

Areas affected by wildfires have a significantly increased risk of landslides, mudslides and mudflows due to the destruction of vegetation, which leaves the soil susceptible to erosion during times of heavy rainfall.

Even a moderate amount of rain can trigger them in recently burned areas, particularly on steep slopes.

Business owners and homeowners whose properties survived the recent L.A. fires need to reassess their insurance coverage as their property policies won't cover damage from these events. If they don't, they would have to pay for repairs or rebuilding out of pocket should a landslide or mudflow occur.

The rationale for non-coverage

A landslide covers a wide range of ground movements, such as rock falls, deep failure of slopes and shallow debris flows. Typically, these movements are triggered by factors like heavy rainfall, earthquake or changes in groundwater which destabilize the slope integrity.

A landslide is considered an "earth movement" event so, like an earthquake, coverage is excluded from standard homeowner's and business property policies.

There are also mudflows, or mudslides, which are like a river of liquid mud flowing down a hillside, usually because of a loss of brush cover (typically from a fire) and subsequent heavy rains.

These events are considered as floods, which commercial property or homeowner's policies won't cover.

Coverage options

In order for these events to be covered by insurance, a property owner would have to secure specialized coverage depending on the potential risk.

Differences in conditions coverage – To cover damage from landslides, you would need a "differences in conditions" policy. These policies cover damage that a standard property policy will not, like earthquakes and landslides. Each policy will name the perils it covers. Please note that if you have earthquake coverage, it will not cover damage from a landslide or mudslide.

Flood insurance – If you feel your property is more prone to flooding or mudflows as a result of a degraded landscape after a wildfire, you can secure flood insurance, which is available from the National Flood Insurance Program and some private insurers.

The takeaway

If you are concerned that your property could be in danger of these events, call us to review your insurance options. Also consider:

Conducting a risk assessment: Evaluate your property's vulnerability to mudslides, landslides or mudflows, particularly if it is located near slopes or areas with loose, wet soil and is prone to heavy rains.

Taking preventive measures: You can mitigate the risk of these events by implementing landscaping and architectural designs that help stabilize the ground and manage excess water.

Reviewing your coverage options: Call us to review your current homeowner's insurance or business property policy to assess your coverage. That, combined with your risk assessment, can help us determine if you may need either a differences in conditions policy or flood insurance. ❖



Had an Accident? Put Your Smartphone to Use

TAKING PICTURES after a car accident can be crucial for your insurance claim. They can provide irrefutable evidence of the damage, injuries and surrounding conditions, helping to establish fault and support your compensation claim.

This is especially important after an incident that results in serious damage and/or injuries, which can lead to legal action.

Attorneys rely heavily on photographic evidence to build a compelling case. Pictures allow them to illustrate the circumstances of the accident to insurance adjusters, opposing counsel, and, if necessary, a jury.

Photos of the crash scene, injuries and vehicle damage can directly counter attempts to downplay your claims or shift fault.

Thanks to smartphones, almost everyone has a camera with them at all times.

If you are in an accident, you should put it to good use. Many insurance companies also have downloadable apps that let you take pictures and report the claim in real time.

Why it's important to take pictures

Documentation of damage: Photos can demonstrate the extent of damage to vehicles and property, which helps your insurer assess the claim.

Capturing the scene: Photos of the overall scene, wreckage area, and pertinent hardware should be taken prior to any adjustments to the scene of the accident.

Evidence of injuries: Pictures of visible injuries can help substantiate your claim and demonstrate the severity of your injuries.

Establishing fault: Photos of skid marks, traffic signs and the

surrounding area can help establish how the accident occurred and who might be at fault.

Supporting your claim: Photos can provide concrete evidence that the accident occurred as you described it, making it harder for the insurance company to deny or minimize your claim.

Protecting your rights: In the event of a dispute, photos can serve as strong evidence to support your case and protect your rights during the insurance claim process or in court.

Expediting the claim process: Having clear and comprehensive photos can help speed up the claim process and potentially lead to a faster resolution. ❖

Capturing crash details - a checklist

Plan to tell a story with your pictures, starting with a wide shot and gradually moving in for closer details. Try to take pictures of:

- Your car, and the damage it sustained.
- The other cars involved in the accident, and the damage they sustained.
- Any skid marks.
- Any vehicle parts, shattered glass or other debris that may have fallen onto the road.
- The accident site (i.e., the intersection, parking lot or other location), as well as the environment/weather conditions, traffic signs.
- Any visible bodily injuries to you, passengers and other parties (if feasible and consented to, of course).



Keeping It Honest When Filing Claims

UNFORTUNATELY, SOME people when they have a homeowner's claim will try to fudge on what exactly was stolen, and/or its value, when reporting the loss to their insurance company.

But one man whose home was burgled is now receiving nothing after a court found that he had lied when filing his claim about the extent of his loss.

A federal district court in California ruled that an insurance company could void the man's policy based on his "significant and unexplained misrepresentations" about a burglary at his home.

After the man's home was burglarized, he reported to his insurance company that the thieves had made away with tools from his garage, \$6,500 in cash and musical equipment. But it was the prices that he attached to the stolen goods that raised the insurance claims adjuster's eyebrows:

- Husqvarna chain saw, bought at Lowes and valued at \$600;
- Tascam recorder, purchased online and valued at \$500;
- Socket set, bought in Portland and valued at \$6,000;
- Martin hunting bow, bought in Portland and valued at \$1,000;
- Mackie PA system, purchased at Guitar Center and valued at \$1,100; and
- Fender guitar, given as a gift and valued at \$3,250.

When the insurance company started questioning him about the details and receipts, it got evasive answers.

The man said he "thought" the guitar was a Fender and he didn't have a receipt because a friend had given it to him. Then he changed his claim and told his insurance company that the guitar was actually a Martin valued at \$47,999.

The insurer wanted backup documentation and the man provided it with handwritten notes about the person who had gifted him the guitar, including his name and phone number. He did the same for a socket set he said he'd bought from an individual, but with no receipt.

While the insurance company agreed to pay for damage caused by the burglars during the break-in, it refused to pay for many of the items he'd listed as the man's story kept changing and he had no bona fide backup documentation for his "stolen" items.

Litigation ensued, with appeals until it reached the district court. The court found that the defendant's misrepresentations concerning the source, value and specifics of the stolen items had given the insurer grounds to deny the claim and void the policy under its concealment and fraud provision. ❖



CLAIMS FORM

HOW TO ENSURE YOUR CLAIM IS PAID

Report the claim promptly – If it's a burglary, you should call law enforcement first and then call your insurance company to report that you've been burgled. You may not know the extent of what was stolen at the time, but at least you've made the initial report to the insurer. You'll be asked to provide a list of what was stolen later.

Document everything – Save receipts, contracts and appraisals. Document phone calls by writing down who you spoke with and when during the claim.

Keep a home inventory – Keep receipts of all valuables you buy and keep photos of larger ticket items. Store them in the cloud like Drop-box or Google Documents so you don't lose them in a fire.