

— Feeling the Heat? —

Homeownership costs increase as insurance rates rapidly heat up due to wildfires

The LA Wildfires are front and center in the news today, but Montana could easily be substituted in the headlines. In the not-too-distant past, we watched in horror as the 2018 Camp Fire burned Paradise, CA to the ground with horrific loss of life and property. The cause of the deadly Camp Fire was determined to be due to strong winds which caused a PG&E powerline to snap and ignite the vegetation below the transmission line. PG&E is no stranger to disasters. In 1993, Erin Brockovich became a whistleblower when she spoke out against PG&E after finding widespread unexplained illness in the town of Hinkley, California. She became instrumental in suing the utility company on behalf of the town. The case (Anderson, et al. v. Pacific Gas & Electric, file BCV 00300) alleged contamination of drinking water in Hinkley with hexavalent chromium (also written as “chromium 6”, “chromium VI”, “Cr-VI” or “Cr-6”). At the center of the case was the Hinkley

compressor station, built in 1952 as a part of a natural-gas pipeline connecting to the San Francisco Bay Area. Between 1952 and 1966, PG&E used hexavalent chromium in a cooling tower system to fight corrosion. The waste-water was discharged to unlined ponds at the site, and some of the waste water percolated into the groundwater. The case was settled in 1996 for \$333 million (\$666.6 million in 2024) the largest settlement ever paid in a direct-action lawsuit in United States history to that date.

across California. It is one of six regulated, investor-owned electric utilities (IOUs) in California. The formal finding of liability in the catastrophic Northern California Camp Wildfire led to losses in federal bankruptcy court and on January 14, 2019, PG&E filed for Chapter 11 bankruptcy.

experience wildfires like those that have recently plagued California. Whether you believe increased logging and forest thinning and clearing activities would diminish the amount or destructiveness of wildfires or not, one thing is clear, better transmission technology would reduce the probability of fire caused by downed utility lines.

and harder. Losing a home and treasured possessions is a heartbreaking scenario for anyone; but when there's no insurance to cover the losses, heartbreak becomes a catastrophe for the homeowner. This is especially relevant for thousands of LA homeowners who are uninsured due to nearly a dozen major insurance providers like State Farm, Nationwide, Farmers Insurance, Allstate, USAA, and The Hartford one by one either no longer issuing new policies in high-risk areas or limiting their coverage to reduce their exposure to claims.

are eating the cost of the loss of their home, they also will be unable to obtain new loans to rebuild as all traditional mortgages require homeowner insurance as a prerequisite to obtaining the loan.

State Farm, the region's biggest insurer with a portfolio of 250,000 homes in LA County, dropped 1,600 policies in the Palisades in July 2024, and more than 2,000 policies in other LA zip codes. The situation with State Farm is echoed by other big insurers in the region.

Before the fires burned more than 10,000 structures in Los Angeles County, insurers

chose not to renew thousands of home insurance policies in Pacific Palisades, Altadena and other fire-prone areas. The rising costs and cancellations left many fire victims without adequate means to cover their losses, highlighting a deepening crisis in California' and other western and coastal states property insurance market.

In California, some homeowners have been



insurance carriers seem

that make homeownership unaffordable; especially on a fixed income. The LA Times cites one homeowner, Francis Bischetti, who for his home in Pacific Palisades received a renewal quote in 2024 of \$18,000, up from \$4,500 the previous year. It was an amount he could not possibly afford.

which provides fewer benefits, because he said he would have to cut down 10 trees around his roof line to lower the fire risk — something else the 55-year-old personal assistant found too costly to manage.

in the community's El Medio neighborhood. He figured if he watered his property year-round, that might be protection enough given its location south of Sunset Boulevard. Bischetti's home was burned to the ground on Tuesday, January 7, 2025.

and 2022, insurance companies declined to renew 2.8 million homeowner policies in the state. Over half a million were in Los Angeles County.

AccuWeather Chief Meteorologist **Jonathan Porter**. “Hurricane-force winds sent flames ripping through neighborhoods filled with multi-million-dollar homes. The devastation left behind is heartbreaking and the economic toll is staggering. To put this into perspective, the total damage and economic loss from this wildfire disaster could reach nearly 4 percent of the annual GDP of the state of California.”

J.P. Morgan analysts have projected that fire-related insured losses could climb as high

as \$20 billion, up from their initial estimate of \$13 billion. In the Palisades community alone, where the median list price was \$4.72 million as of December 2024, according to data from Realtor.com®, there were \$6 billion in potential claims.

a traditional carrier, has only about \$700 million in cash, according to testimony given to the California State Assembly last year. This raises concerns that the state-backed insurer could become insolvent.

total losses from the 2011 drought in 2012, and stressed that the insurer anticipates being able to pay out claims related to the disaster.

In addition, some conspiracy folks cite

proposition 13 as the reason why LAI blundered with fire protection of the area. Proposition 13 was passed in CA in 1978 and held the assessed value of a home at the purchase price. In Pacific Palisade, where the majority of the losses occurred, many of the homeowners had lived in their homes for decades meaning they were taxed at rates well below market value. Once those homes are rebuilt, they will be assessed at current day values, which will dramatically increase property taxes, once again making homeownership unaffordable and causing many to move out of the area.

insurance rates across the country—especially in similarly forested areas like Montana.

The costs for property insurers in states like California, Colorado and Montana have been

shortages, and supply chain problems that increase rebuilding costs are playing a role. At the same time, more frequent large wildfires are increasing risk and losses. As a result, insurers are relying more on their own insurance (aka “reinsurance”) to cover payouts, and those prices are going up, with fewer companies willing to (re)insure fire risk.

costs? The problem is that they can't. They can't raise them high enough, and they can't raise them fast enough. The Montana Commissioner of Insurance and Securities (CSI), James Brown reviews any proposals to change rates and those reviews often take a year or more. Even then, insurers aren't allowed to include certain costs in their rate filings. They cannot include the cost of reinsurance, which is growing bigger each year. Nor can they include the increasing risks of weather calamities and fires, since they are only permitted to use backwards-facing models. These restrictions were put in place to control price increases. Reinsurance can reflect costs outside of Montana, which we don't want Montanans to be responsible for paying; and proprietary climate change models could lead to unjustified high rates.

insurers cut back on policies, whether or not those policies are in wildfire areas. The result has been a widespread withdrawal from the market of many of the largest insurers.

in premium rates charged by insurers with each annual renewal; and studies have shown that Montana ranks high in the nation for average cost of homeowner's insurance policies; Over the past two years, home insurance rates rose



nearly 20% nationwide, and experts predict that trend will continue.

In 2024, Montana recorded 2,345 wildfires that burned 387,000 acres. This was about average for the number of fires and acres burned over the past 10 years. Some of the most intense fire activity occurred in southeast Montana in August and September of 2024. The state spent just over \$38 million on fire suppression costs, which was about a third more than the 10-year average. 25% of the fires were confirmed to be natural or lightning caused, while the rest were either human caused or undetermined.

Montana was projected to see one of the highest homeowner's insurance rate increases in the country in 2024 but as of this writing those figures have not been calculated.

Of the 10 states where the cost of homeowners insurance is rising the fastest, natural disasters that many blame on 'climate change' are the driving force behind those rate hikes in seven of the ten states from; hurricanes threatening the Carolinas, rising sea levels are raising concerns in Maine, and in states like Colorado, Nevada, Utah and Montana, a growing risk posed by wildfires.

"Montanans are seeing an above-average effect because of climate change (that's) being reflected in the home insurance market," Chase Gardner, data insights manager for insurance comparison company Insurify, told NBC Montana.

Gardner said while the average cost of home insurance in the state sits just under \$1,800, Montana is unique in how much that number varies statewide, with mountainous areas prone to wildfire and plains prone to hail. And both of those severe weather events are expected to become more common in the future. 