Insurers, watchdogs focus on SoCal fires

by Michael Liedtke
Associated Press

The insurance industry is promising to come to the financial rescue as wildfires ravage hundreds of homes in Southern California, but industry watchdogs are worried that fire victims won't receive the help they expect.

As crews of adjusters began to settle fire claims last week, consumer advocates are concerned that victims who believe they are fully insured for their destroyed property may have their claims rejected.

''I am absolutely certain that two weeks from now there will be many frustrated and angry policyholders in Southern California because they can't understand what is and isn't covered,'' California Insurance Commissioner John Garamendi said last week.

Garamendi is providing fire victims with insurance tips on his regulatory agency's Web site, www.insurance.ca.gov. He also plans to hold workshops in the fire-charred communities.

Insurance officials believe most Southern California fire claims will be amicably resolved, although they concede some disagreements are inevitable, primarily over the value of the household contents destroyed.

''We want to pay for everything we owe, but we don't want to be in a situation where everyone is claiming they owned a Picasso,'' said Dan Dunmoyer, president of the Personal Insurance Federation of California. The trade group represents carriers that sell about 40 percent of California's homeowners coverage.

With more than 1,500 homes already destroyed, the Southern California blaze has caused the worst fire damage since nearly 3,000 homes were lost in a 1991 inferno that swept through the Oakland hills.

The Southern California fires aren't expected to be as expensive for insurers as the Oakland hills catastrophe, which saddled the industry with a $1.7 billion tab.

Last week, the estimated damage covered by insurance in Southern California was less than $500 million, said Robert Hartwig, chief economist for the Insurance Information Institute.

Since then, others' estimates have topped $1 billion.

Besides paying to rebuild homes, insurers also may have to cover the claims of businesses that suffered losses caused by road closures and other disruptions, Hartwig said.

The insurer's liability on most homeowners' policies today is usually limited to 20 to 25 percent above the listed coverage amount — a change driven by the bitter disputes that emerged following the Oakland hills fire.

Many of the Oakland hills conflicts revolved around a policy provision offering ''guaranteed replacement'' coverage to pay higher construction costs and additional expenses for complying with changes to local building codes.

Oakland hills homeowners contended the contract clause meant insurers were on the hook for all the rebuilding bills, regardless of the expense.

Policies now spell out strict limitations, but many customers either don't read or fully understand the fine print, said Amy Bach, executive director, United Policyholders, a consumer group. ❒