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## Who Pays to Rebuild California When Insurance Falls Short? Everyone Else Many Los Angeles-area residents devastated by fire will lean on Washington and charitable aid—and draw on their own savings

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Burned homes in the Pacific Palisades neighborhood of Los Angeles on Thursday. PHOTO: JOSH EDELSON/AFP/GETTY IMAGES

A shrinking California insurance market will leave Los Angeles-area residents more dependent on a patchwork of federal programs, charitable aid and their own savings to rebuild lives devastated by the most-expensive fire in U.S. history.

The blaze that swept through one of America's wealthiest shorelines this past week has racked up more than \$50 billion in losses. The recovery will take years, and some residents might simply sell the land beneath their former homes.

Here is a breakdown of who could end up paying for what.

### Insurers

Insurance should cover about \$20 billion of the fire's losses, JPMorgan Chase estimates.

Banks typically require homeowners with mortgages to insure the full value of their homes. Some landlords also require policies. But some renters and homeowners opt to carry little or no insurance; 12% of homeowners in the U.S. don't buy home insurance, according to a 2023 survey by the Insurance Information Institute and the reinsurer Munich Re. Insurance is less common in mobile-home parks, such as the Pacific Palisades Bowl Mobile Estates, destroyed in the fire this past week. \*

FAIR Plan's exposure to potential residential property losses Source: FAIR Plan  
FY2020'21'22'23'24 100200300\$400billion

As disasters have worsened, major insurers have pulled back from areas prone to storms and fires, leaving Americans with expensive, bare-bones policies. State Farm last year said it wouldn't renew policies for 30,000 homeowners in California, including 69% of those in the Pacific Palisades neighborhood, which was hard hit by the fires. California's state plan of last resort, the FAIR Plan, had 451,000 residential policies in September, up 40% from a year earlier. The plan, which caps home damages at \$3 million, has 1,430 policies in Pacific Palisades, where the typical home is worth \$3.4 million.

The FAIR Plan can call on insurers to help fund payouts, if necessary. Still, insurers, regulators and consumers are concerned about the FAIR Plan's solvency, given the spate of expensive fires. A spokeswoman said the plan has mechanisms in place to cover all claims.

### FEMA


The Federal Emergency Management Agency helps pay for temporary shelter, supplies, and other needs assistance after disasters. A FEMA processing center on New York City's Coney Island during the aftermath of superstorm Sandy in 2012. PHOTO: BEBETO MATTHEWS/AP

The agency caps total payouts for housing assistance at \$43,600 a person or household and can provide up to the same amount for other needs. But that money doesn't fully address the cost of long-term repairs. "Even if you get the full amount of housing assistance, that's not going to rebuild a house," said Madison Sloan, director of the disaster recovery and fair housing project at Texas Appleseed, a nonprofit.

People affected by the fires can apply for FEMA assistance online at <https://www.disasterassistance.gov/> or call 1-800-621-3362. Other groups, including the American Red Cross ([redcross.org](http://redcross.org) or 1-800-733-2767), are assisting with needs including shelter.

### Taxpayers

Uncle Sam can help with more than emergency assistance. But the newly seated, majority-Republican Congress will have to authorize this additional aid.

The government's Community Development Block Grant Program can hand out money to help repair and rebuild homes—as soon as Congress appropriates it. It took lawmakers about three months to set aside money after superstorm Sandy and almost a year and a half to approve funds to help rebuild Lahaina, Hawaii, the Maui town destroyed by wildfires in August 2023. 

During his first term as president, Donald Trump showed reluctance to send hurricane aid to Puerto Rico in 2017, raising concern about corruption before eventually releasing billions of dollars. Another big question mark: whether Trump plans to reappoint the FEMA chief, Deanne Criswell. "Continuity tends to be helpful in responding to disasters," said Stan Gimont, who earlier in his career ran the disaster recovery block grant program and is a senior adviser at Hagerty Consulting. **You**

When insurance doesn't cover all losses, homeowners are usually stuck with the remaining bill.

After the 2021 Marshall Fire swept through the suburbs between Denver and Boulder, Colo., a study found 36% of homeowners who filed insurance claims learned that their policies covered less than three-quarters of their homes' replacement costs. When tornadoes tore through Kentucky, Tennessee and other states the same year, some homeowners discovered their policies included thousands of dollars in deductibles, or what they were required to pay for themselves before coverage could kick in. Damage from Colorado's Marshall Fire in early 2022. PHOTO: JASON CONNOLLY/AFP/GETTY IMAGES

In hard-hit areas such as Altadena and Pacific Palisades, where home prices have doubled in the past decade, some homeowners might decide to put their still-valuable land on the market, which could end up reshaping swaths of Los Angeles. On a stretch of New Jersey coastline ravaged by Sandy in 2012, many overwhelmed locals ended up selling to wealthy New Yorkers seeking second homes. Jody Stewart, a longtime resident, estimates that 65 of the 70 homes on her street changed hands.

"That was a hardworking community at one point of regular people," Stewart said.