



# Lessons from the 2025 Wildfires

Understanding the Evolving Landscape of California Property Insurance

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# Agenda

-  Causes and Economic Impact of the 2025 Eaton and Palisades Fires
-  Key Trends and challenges in the California Insurance Market
-  Shifting Climate of Insurance Industry and E&S Market
-  Risk Mitigation Strategies for clients
-  Best Practices for advising clients





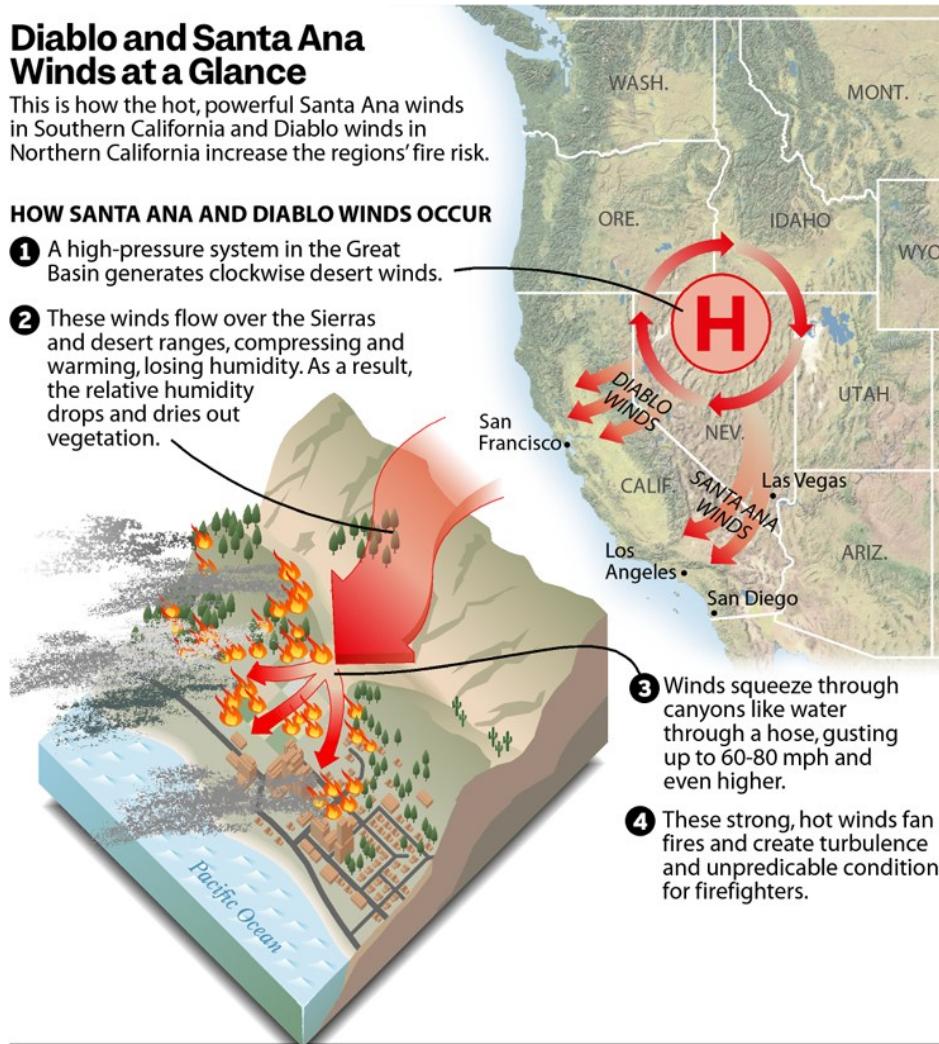
# Diablo and Santa Ana Winds

## Diablo and Santa Ana Winds at a Glance

This is how the hot, powerful Santa Ana winds in Southern California and Diablo winds in Northern California increase the regions' fire risk.

### HOW SANTA ANA AND DIABLO WINDS OCCUR

- ① A high-pressure system in the Great Basin generates clockwise desert winds.
- ② These winds flow over the Sierras and desert ranges, compressing and warming, losing humidity. As a result, the relative humidity drops and dries out vegetation.
- ③ Winds squeeze through canyons like water through a hose, gusting up to 60-80 mph and even higher.
- ④ These strong, hot winds fan fires and create turbulence and unpredictable conditions for firefighters.



SOURCES: National Weather Service; Inside Climate News research

PAUL HORN / Inside Climate News

# Background on wildfires

## Factors contributing to California's wildfire risk

- Dry Weather and High Winds
- Population density
- Wildland Urban Interface (WUI)

Palisades Fire		Eaton Fire	
Acres Burned	23,707	Acres Burned	14,021
Structures Destroyed	6,800+	Structures Destroyed	9,400+
Structures Damaged	973	Structures Damaged	1,074
Ignition	1/7/2025 (10:30 am)	Ignition	1/7/2025 (6:18 pm)

Source: The California Department of Forestry and Fire Protection, <https://www.fire.ca.gov/>

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# Elevated Wildfire Risk Areas

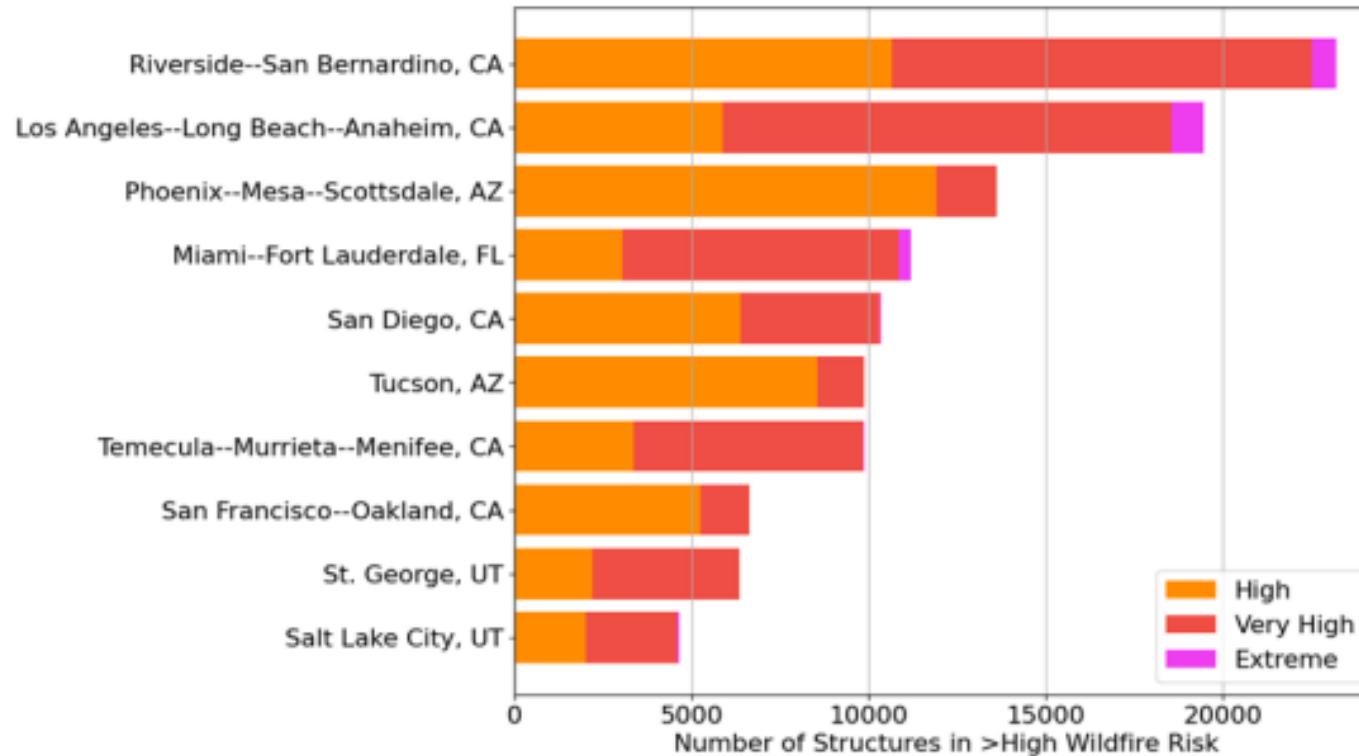
## Wildfire Risk Scores, Urban Conflagration, and high-risk zones

- Wildland Urban Interface WUI-
  - Zone of transition between unoccupied land and human development
  - Where structures and human development meet with wildland or vegetative fuels
  - Over 60,000 communities in the US are at risk for WUI fire activity
  - In order of risk – California, Texas, Florida, North Carolina, and Pennsylvania
  - WUI zones are expanding by 2 million acres annually



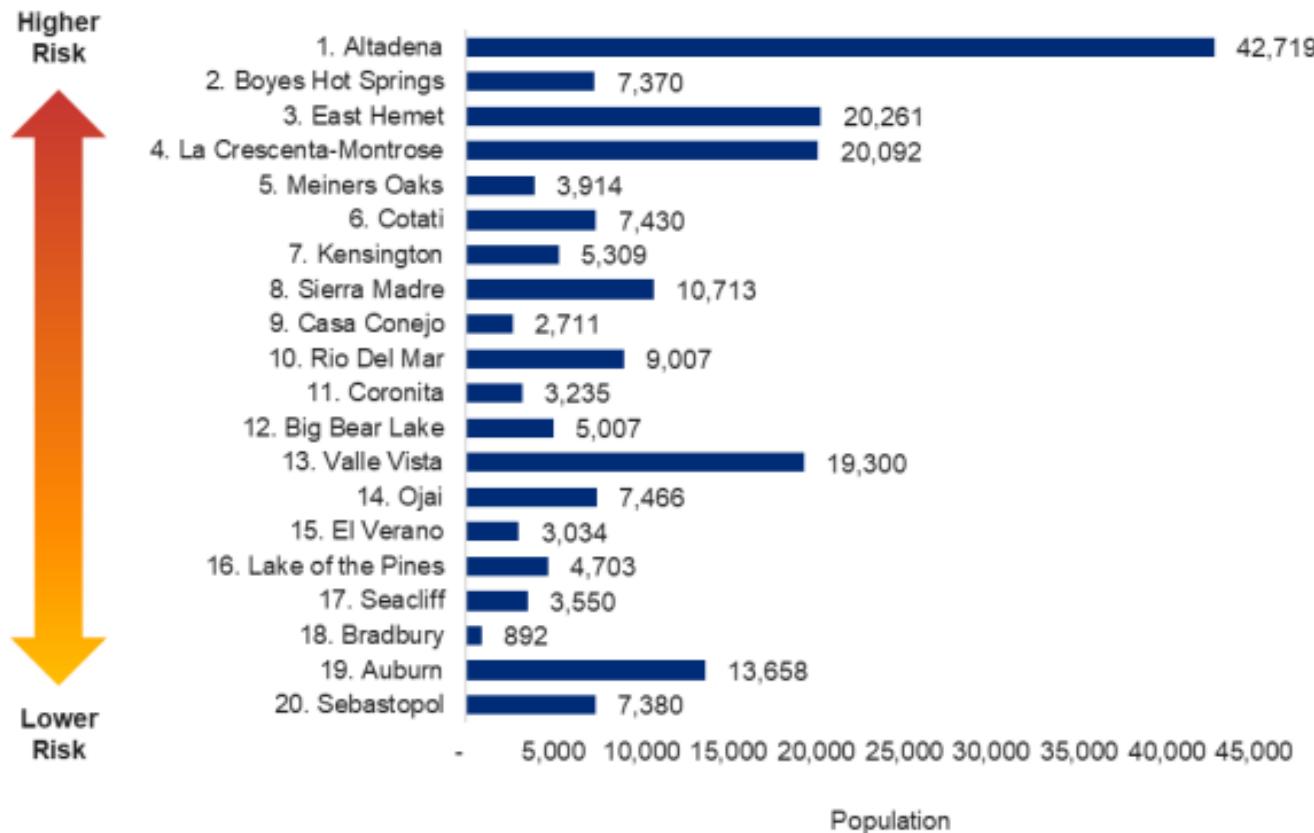
# Elevated Wildfire Risk Areas

Present Day – Top 10 WUIs With the Most Structures  
With Elevated Wildfire Risk



# Elevated Wildfire Risk Areas

## Top 20 Highest-Risk Communities to Urban Conflagration Potential in California



# Current Wildfire Events

## Overview of the January 2025 Wildfires

### 2025 Structures in Wildfire Risk Score Bands

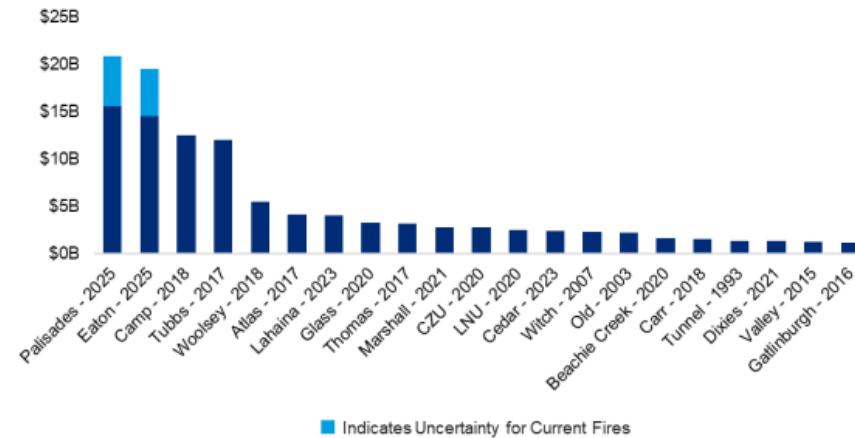
Risk Score	Palisades Fire	Eaton Fire	Total	% of Total	% Structures Nationally
Extreme	652	1,327	1,979	14.9%	0.2%
Very High	3,563	4,384	7,947	59.9%	2.8%
High	1,232	667	1,899	14.3%	4.5%
Moderate	587	105	692	5.2%	7.8%
Low	386	129	515	3.9%	19.5%
Very Low	246	0	246	1.9%	65.2%

# Historic Catastrophic Losses



Comparing Palisades and Eaton Fires vs. Top 20 US Natural Catastrophe Losses 1992-2024; \*Reported in USD billions, inclusive of NFIP, adjusted for est. per capita income growth and population

Sources: Verisk, GC



All US Wildfire Losses in Excess of \$1B; \*Reported in USD billions, adjusted for est. per capita income growth and population

Sources: Verisk, GC

# Economic Impact

Projected Industry Loss: \$30- \$40 B

	Palisades Fire		Eaton Fire	
	Personal Lines	Commercial Lines	Personal Lines	Commercial Lines
Risks in Perimeter	4,450	550	6,250	775
TIV Exposed	\$23B	\$4.0B	\$20B	\$5.5B
Percent of Risks Taking a Loss	80%	70%	80%	70%
LOB Conversion Factors (Optimistic and Pessimistic)	75% to 100%	65% to 90%	75% to 100%	65% to 90%
Loss Estimate	\$13.8B to \$18.4B	\$1.8B to \$2.5B	\$12.0B to \$16.0B	\$2.5B to \$3.5B

# Insurance Industry Considerations

Factors that could **increase** losses relative to initial estimates

- Auto may be a larger than average driver given wealth concentration
- Additional living expenses and business interruption loss will be significant
- Potential for public adjuster engagement/ partial losses
- Demand surge for specialist and artisan contractors and building materials
- Insurance Commissioner Ruling on Advanced Payments [Insurance Bulletin](#)

# Insurance Industry Considerations

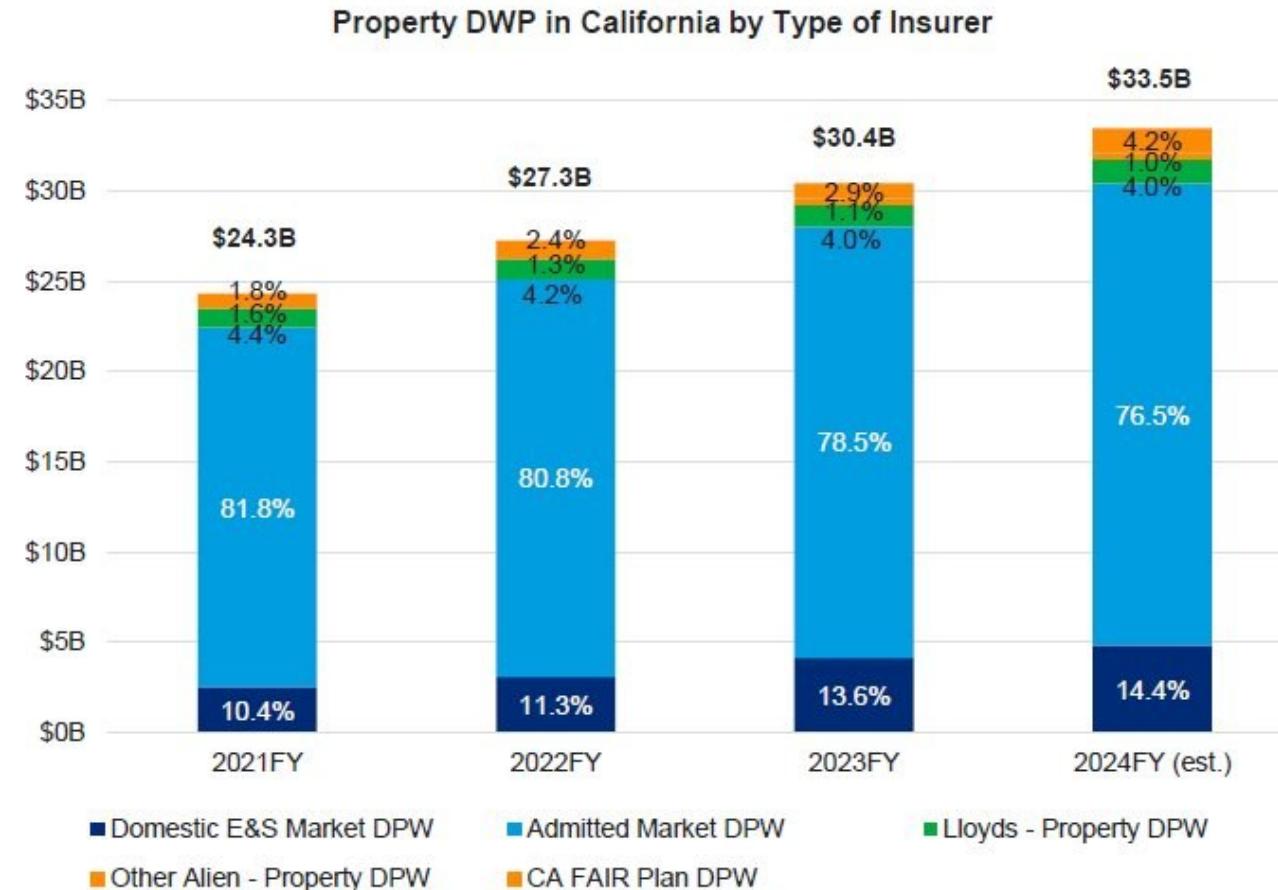
Factors that could **mitigate** losses relative to initial estimates

- Underinsurance and self insurance for Wildfire Peril
- Potential subrogation against third parties
- Heavy use of sub-limits for wildfire
- Restrictive terms and conditions for living expenses
- Potential for cash settlements in lieu of rebuilding



# Insurance Market Response

Shift towards Excess and Surplus Market, and CA Fair Plan



# California Fair Plan

- The California FAIR Plan Association was established to meet the needs of California homeowners unable to find insurance in the traditional marketplace
- The FAIR Plan is a syndicated fire insurance pool comprised of all insurers licensed to conduct property/casualty business in CA.
- Established in 1968

## What is Covered?

The FAIR Plan Dwelling Fire Policy is a named peril policy, which provides coverage only for damage caused by the specific causes of loss listed in the policy.



Fire & Lightning



Internal Explosion



Smoke

Optional coverages are available at an additional cost, such as coverage for vandalism and malicious mischief. For more information and to discuss your insurance needs, please contact a licensed broker.

# California Fair Plan

	Total CA FAIR Plan Exposed Limit (\$M)		Growth (2021-2024)
	9/30/2024	9/30/2021	
<b>Eaton</b>			
91011	1,427	442	223%
91001	949	452	110%
91107	572	215	166%
91024	400	213	87%
91006	452	142	219%
91016	484	206	134%
91104	203	93	118%
91103	359	184	95%
<b>Palisades</b>			
90265	5,015	2,539	98%
91302	3,897	1,141	241%
90290	2,591	1,888	37%
90272	3,193	811	294%
90049	3,645	1,375	165%
<b>Total</b>	<b>23,187</b>	<b>9,702</b>	<b>139%</b>

# Legal and Regulatory Considerations



## Inverse Condemnation Doctrine for Utilities

- Liable regardless of negligence
- CA is the only state where inverse condemnation applies



## AB1054 Wildfire Fund

- Pacific Gas and Electric Company
- Southern California Edison
- San Diego Gas and Electric
- \$14.7B of Capitalization 12/12/24

# Looking Forward—

**Anticipated changes for insurance industry**

**Importance of risk management strategies**

**Future trends in wildfire risk/ insurance coverage**

# Wildfire Risk Mitigation Strategies

## Prepare your home

Regular upkeep of your home and property, along with other common-sense precautions, is the most effective defense against loss caused by wildfires. Take the following steps to reduce your risk before the next wildfire threatens:

- Install smoke detectors and fire extinguishers throughout your home, and have a portable fire suppression system on hand.
- Keep your roof and gutters free of leaves and other debris.
- Always stack firewood at least 30 feet from your home.
- Keep a garden hose long enough to reach the house and other structures on your property.
- Ensure fire tools (ladder, shovel, hose, rake, ax, water bucket) are stored in an easily accessible location.
- Install a back-up generator. Wildfire can easily knock out power lines.
- Make sure your address is easily visible from the street.
- Install ember-resistant venting.
- Fit eave soffits and attic vents with narrow mesh screens.
- Fit chimneys with spark arrestors (devices that prevent emission of flammable debris from fireplaces and wood burning stoves).
- Keep a video inventory or photographs of your possessions at a remote location.
- Store valuable documents in a fire-resistant safe or remote location.
- Consider upgrades to the construction of your home to increase its chances of surviving a wildfire. For fire-safe construction tips, visit [readyforwildfire.org](http://readyforwildfire.org).

## Prepare your property

Firefighting experts and other authorities urge you to create a zone of defensible space around your home to reduce the chance of ignition from radiant heat or embers and to provide firefighters a clear area in which to operate.

- Maintain this defensible space to at least 100 feet around your house (200 if on a slope).
- Remove all dead plants, trees, branches, and debris from this zone and keep it well watered.
- Remove all flammable plants, even healthy ones, within 30 feet of home (60 if on a slope).
- Remove branches that extend over the roof or within six feet of the home.
- Maintain a minimum of 15 feet between tree crowns.
- Trim tree limbs to 15 feet off the ground or 1/3 of the total crown height, whichever is less.
- Clear a 10-foot area around propane tanks or barbecue area.
- Keep shrubs thinned and separated by a distance of at least twice their height.
- Clear driveways of flammable vegetation for 10 feet on both sides and overhanging obstructions to a height of 15 feet.

## Prepare your family

Design an emergency plan and discuss it with your family, including children, before wildfire strikes. Have each household member assemble a "go bag"—a collection of necessary items in case of evacuation.

# Wildfire Risk Mitigation Strategies

## If a wildfire approaches

In addition to the steps below, stay aware of the latest advisories from fire and other relevant officials. Remember, you do not need to wait for orders to evacuate. Your personal safety should come before all other considerations.

- Turn off all pilot lights. Shut off propane at the tank and/or natural gas at the meter.
- Wet shrubs within 15 feet of the home.
- Frequently check your roof and attic for embers or fire.
- Turn on houselights to increase the visibility of your home through heavy smoke.
- Close windows, vents, and doors. Seal attic and ground vents with plywood.
- Remove lightweight and/or non-fire resistant curtains and materials from around windows.
- Open fireplace damper(s) for proper updraft. Close fireplace screens.
- Use garden hose and lawn sprinklers to wet the roof and above-ground fuel tanks.
- Prop a ladder against the house so firefighters have easy access to the roof.
- Place combustible patio furniture in the house or garage.
- Move all flammable furniture to the center of the home, away from windows and glass doors.
- Ensure your vehicles' gas tanks are full, your go bags are ready, and obey any evacuation orders promptly.

Talk to your personal risk advisor to learn more about wildfire risk management best practices and to inquire about a wildfire defense program you may be eligible for through your insurer.



# Wildfire Defense Programs

- Comprehensive Programs to Monitor, Alert, and Protect your Home before, during and after
- Prevents out of pocket expenses
- Professional Fire Fighter Deployment
- Removal of combustible materials around perimeter
- Sprinklers, or spraying of heat-absorbing fire-blocking gel





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