

Insurers Say Early Calif Wildfire Claims Slow To Come In

by dow-jones

CHICAGO (Dow Jones)--As wildfires continued to burn thousands of acres across Southern California, insurers in the state said they were beginning to be contacted by policyholders, many of whom do not yet know if their homes are still standing.

Jonathan Freed, spokesman for State Farm Mutual Automobile Insurance Co., the state's largest homeowners insurer, said the company has received around 1,600 claims as of Wednesday, with around 300 of those already assessed as total losses. Freed, who was at San Diego's Qualcomm Stadium, where many Southern California residents have taken shelter, said that he expects claims to eventually be much higher once homeowners are able to return home.

The fires, now in their fourth day, have caused an estimated 1 million people to flee their homes, in what has become the largest evacuation in state history. Many are still locked out of their communities, with no information on whether their house escaped the flames, which have so far burned at least 2,000 homes and other buildings, according to insurance broker Aon Corp. (AOC).

Freed said that State Farm, which reduced rates on homeowners insurance policies by an average 20% in the last year, has no plans to cut back coverage in the state in the wake of the wildfire catastrophe, the third big wave of fire in state in the last four years.

"No one event will affect rates," said Freed, who added that the company has worked with homeowners and state officials in helping to mitigate the effect of wildfires.

State Farm, of Bloomington, Ill., is the largest homeowners and auto insurer in the state, with a 22% market share at the end of 2006, according to A.M. Best Co.

One major tactic State Farm and other insurers have emphasized is to strictly manage brush accumulation around homes.

California has seen major wildfires in the past, and seven of the 10 most expensive wildfires in U.S. history have occurred in California, according to the Insurance Information Institute, an industry advocacy group.

The institute estimated Tuesday that insured losses from the current fires have reached at least \$500 million, and a spokeswoman said Wednesday that a more updated, likely higher, estimate is being prepared for later Wednesday. At the current \$500 million estimate, this year's wildfires would rank fourth among the most expensive U.S. wildfires since 1970.

Farmers Group Inc., a unit of Zurich Financial (ZFSVY), is the second-largest insurer in the state, with a 16.6% market share. According to the company, it insures 1.7 million homes in California, with around 800,000 in the southern California counties most affected by the ongoing fires.

Paul Hopkins, the company's chief executive, said Tuesday that the company had received around 1,000 claims, but expected to eventually receive many more. He added that he did not expect claims from the wildfires to materially affect earnings for its parent company, or cause it to raise rates dramatically.

Chubb Corp. (CB) a commercial insurer that insures some high-end homes, said during its third-quarter conference call Tuesday that it had so far received around 25 claims, but that it was too early to estimate eventual losses.

Other insurers have made similar remarks. A spokeswoman for commercial insurer CNA Corp. (CNA) said Wednesday that even though the insurer has set up a catastrophe operations center within its Nashville claims office, she has not yet heard that the insurer has received many claims.

A spokesman for Allstate Corp. (ALL) the third-largest homeowners insurer in the state, did not immediately return a call asking for comment.

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