# Lawsuits accuse insurers of colluding to limit wildfire coverage in California



Two recent lawsuits filed in Los Angeles allege that major home insurance companies engaged in a coordinated effort to limit coverage in California communities at high risk of wildfires. The suits claim this collusion forced many homeowners onto the state's last-resort insurance option, known as the FAIR Plan, which offers more basic coverage but carries higher premiums.

According to one of the lawsuits, filed last week by a group of homeowners who lost their properties in the devastating January wildfires, insurers including State Farm and 24 other companies collectively holding 75% of California’s home insurance market participated in what is described as an “illegal scheme” violating the state’s antitrust and unfair competition laws. The complaint alleges that these companies simultaneously dropped existing coverage and ceased issuing new policies in fire-prone areas such as Pacific Palisades and Altadena—regions severely impacted by the January fires that destroyed nearly 17,000 structures and resulted in at least 30 fatalities.

This coordinated withdrawal, the lawsuit contends, compelled hundreds of homeowners to seek insurance through the FAIR Plan. While this plan is intended as a last-resort option for properties deemed too risky by private insurers, it provides more limited coverage—capped at $3 million—and charges comparatively high premiums. This has left affected homeowners underinsured and facing significant challenges as they attempt to rebuild in the aftermath of the wildfires.

A second lawsuit represents all policyholders who acquired FAIR Plan coverage after January 2023, marking the alleged start of the insurers’ coordinated efforts.

Michael J. Bidart, attorney for the homeowners, stated in a press release, “Insurance is a product that homeowners hope never to need, but rely on for peace of mind in normal times and for critical help rebuilding after a catastrophe. The complaints allege that, by colluding to push plaintiffs and so many like them to the FAIR Plan, the defendants have reaped the benefits of high premiums while depriving homeowners of coverage that they were ready, willing, and able to purchase to ensure that they could recover after a disaster like January’s wildfires.”

These legal actions come amid a broader insurance crisis in California, where increasing wildfire frequency and intensity—attributed partly to climate change—have prompted many insurers to raise rates, reduce coverage, or exit markets altogether. Throughout 2023, several major insurance providers halted or severely limited new business in the state, citing difficulties in accurately pricing wildfire risks.

The California Department of Insurance confirmed that it is not a party to the lawsuits but emphasised its commitment to consumer protection. Department spokesperson Gabriel Sanchez said, “Californians deserve a system that works—one where decisions are made openly, rates reflect real risk, and no one is left without options.”

State Farm, the largest home insurer in California with approximately one million policies, has not publicly responded to requests for comment. Similarly, the American Property Casualty Insurance Association, a prominent trade body representing home, auto, and business insurers nationwide, did not provide a comment.

The FAIR Plan functions as an insurance pool funded by contributions from all major private insurers, issuing policies to homeowners unable to secure private coverage due to high risks. Although designed as a temporary safety net, the plan has seen a sharp increase in enrolment; as of March 2024, the number of home policies on the FAIR Plan exceeded 555,000—more than double the total in 2020.

The lawsuits also suggest that insurers were motivated to drive policyholders onto the FAIR Plan because it reduces the financial burden on individual companies. In February, the state’s top insurance regulator required insurers to contribute $1 billion to the FAIR Plan to cover claims related to the Los Angeles wildfires, allowing insurers to recoup half of these costs from policyholders throughout California. Last week, a separate lawsuit was filed to challenge this cost-recovery measure.

In response to the ongoing challenges, California is implementing new regulations aimed at providing insurers more leeway to raise premiums in high-risk areas in exchange for issuing additional policies. These changes include permitting insurers to incorporate climate change factors into pricing models and allowing the transfer of reinsurance costs to consumers.

The Independent is reporting on these developments as California navigates the complex intersection of wildfire risks, insurance market dynamics, and regulatory responses.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.sfchronicle.com/california-wildfires/article/home-insurance-lawsuit-20283488.php> - This article corroborates the lawsuits alleging collusion by major insurance companies in California, specifically their withdrawal from the home insurance market and directing customers to the FAIR Plan.
* <https://www.youtube.com/watch?v=uLFxNl2MdqQ> - This video discusses similar lawsuits filed by victims of the Los Angeles wildfires, accusing insurance companies of a coordinated scheme to limit coverage.
* <https://www.latimes.com/california/newsletter/2025-04-21/insurance-companies-sued-for-alleged-collusion-essential-california> - The Los Angeles Times reports on the lawsuits, noting that major insurers are accused of conspiring to eliminate competition and force homeowners onto the more expensive FAIR Plan.
* <https://www.larsonllp.com/ca-wildfire-antitrust-lawsuit/> - Larson LLP details their involvement in filing an antitrust lawsuit against California insurance companies, alleging a conspiracy to push homeowners onto the FAIR Plan.
* <https://www.californiaindependent.com/insurance-regulators-urge-ca-insurance-companies-to-extend-coverage-despite-wildfire-risk/> - This article discusses the broader context of California's insurance market and regulatory responses to wildfire risks, including the role of the FAIR Plan.