

THE CHALLENGES OF INSURING A HIGH VALUE HOME IN CALIFORNIA AGAINST THE RISK OF WILDFIRE

California Fire Damage Background:

- ❖ The **2019** wildfire season had **259,823** which was the lowest number of acres burned in 8 years. The 10-year average is **747,289**. However, the total number of fires was **7,860** with the 10-year average is **8,188**. The **2017** and **2018** wildfire seasons were the deadliest and most destructive wildfire season on record in California, with a total of **17,660** fires burning an area of **3,275,318 acres**.
- ❖ **\$15 Billion** = Estimated damages from the 2017 and 2018 California fires.
- ❖ **24,000** = The number of homes destroyed by the **2017** and **2018** fires.

Insurance Issues in the Aftermath (again):

Gaps between a home's insured limit versus its full replacement and additional living costs.

- ❖ Most CA homeowners were unknowingly underinsured with material gaps between their home's **insured limit** versus its **full actual replacement** and **additional living** costs for the rebuilding period.
- ❖ **80%** of homes in 2018 Woolsey Fire were unknowingly underinsured by **+20%** of replacement costs. On a home with a replacement cost of \$2M, this equates to an **uninsured out-of-pocket expense** of over **\$680K** when personal property and additional living expenses during the rebuilding period are included.
- ❖ **60%** of affected homeowners plan to or have sued their insurance agent for being underinsured.
- ❖ **53%** of homeowners who had damage from the 2017 fires that were surveyed one year later, still had not settled with their insurance carrier.
- ❖ **Rampant California Non-Renewals:** California homeowners are now having difficulty finding quality insurers willing to provide coverage and those that can are finding annual premiums have increased 2X – 4X along with coverage reductions and higher deductibles. Recent legislation has made it tougher for carriers to non-renew coverage in areas where wildfires occurred in 2019, but difficulty still exists in the market.
- ❖ The total limit of coverage provided under the California FAIR Plan is at **\$1.5M** which is insufficient for many homeowners. This limit is expected to be increased to **\$3.5M** shortly, capped, but will still be insufficient for many.

Time for a new, customized approach to Personal Risk Management through MSG:

Talk to MSG about proper, bespoke insurance coverage solutions for homes with rebuilding costs of +\$5M:

- ✓ MSG is an expert insurance brokerage firm focused on custom solutions for Private Client families and their assets around the world. We also have a niche in the Sports and Entertainment field.
- ✓ Due to our volume of business with carriers and our expertise in the Private Client space, we are able to offer California clients coverage and insurance solutions they are finding difficult to obtain.
 - ✓ MSG specializes in providing insurance solutions from top-rated carriers with better terms for lower premiums than California clients may obtain elsewhere.
- ✓ MSG is an **Elite Cornerstone Broker** with **CHUBB** (a designation less than 3% of their 5,000 strong broker achieve).
- ✓ **MSG has bespoke solutions for:**
 - ✓ California homeowners of high value residences dropped by their previous insurance carrier.
 - ✓ **Primary** and **Secondary** high value residences including **Guaranteed** or **Extended Replacement Cost**, as well as **Code Upgrade** costs and **Unlimited Loss of Use**.
 - ✓ **High Value Autos, Art, Jewelry, Watercraft, Private Planes** other valuable assets.