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AGENT & BROKER ALERT

California Insurance Commissioner Ricardo Lara

Commissioner Lara Orders Insurers to Fully Investigate Consumers' Smoke Damage Claims Following Southern California Fires

LOS ANGELES — Taking action so wildfire survivors can continue to recover after the Southern California fires, Insurance Commissioner Ricardo Lara has directed insurance companies to fully investigate all smoke damage claims and ensure fair payments under California law. In a new [Bulletin](#) to insurance companies -- the latest in a series of official legal announcements clarifying regulations for insurance companies and reinforcing consumer protections -- the Department of Insurance makes clear that insurance companies cannot summarily deny smoke damage claims without a thorough investigation.

"Wildfire survivors deserve fair treatment from their insurance companies," said Commissioner Lara. "Insurance companies must investigate smoke damage claims properly — not deny them outright or pressure homeowners into accepting less than they are owed. My message to insurance companies is clear: consumer claims must be paid fairly, fully, and quickly."

Loss from wildfires comes in many forms. A property may suffer loss from flames, heat, smoke, and other fire debris, which includes soot and ash that may contain hazardous substances. Property insurance policies are intended to cover losses stemming from fire, which can include the reasonable cost to remediate all of these types of wildfire damage, especially so that consumers may return back to their homes. Once the policyholder files their claim alleging smoke damage, the burden is on insurance companies to properly and promptly investigate those claims and, once the presence and extent of damage is verified, offer a fair and reasonable amount, and make payment fully and quickly.

The Department of Insurance issues bulletins and notices to "clear the air" on any questions that insurance companies may have regarding insurance law and regulations and their enforcement by the Department. There appears to be confusion about coverage for smoke damage in the wake of recent court decisions, and the Department has issued [Bulletin 2025-7](#) to state its position on these recent cases and advise of its expectations for insurers handling smoke damage claims.

According to the Bulletin: "Evidence that smoke has caused such damage to a policyholder's property must be fully and fairly investigated. When a policyholder makes a claim for smoke damage, the insurer is required to act reasonably and promptly, and to adopt and implement reasonable standards for the prompt investigation and processing of the claim. It is not reasonable to deny a smoke damage claim without conducting an appropriate investigation, nor is it reasonable for the insurer to require the insured to incur substantial costs to investigate their own claim. If professional testing is warranted for a specific claim, we expect the insurance company to contract and pay for these services."

Commissioner Lara also warned consumers to be on the lookout for scams related to smoke damage and report them to the Department of Insurance at 800-927-4357. A [2023 Department investigation](#) revealed a company sent mass mailers in an effort to file fraudulent insurance claims for smoke damage, misleading prospective clients by telling them the program was funded by the State of California. Investigators found the company submitted insurance claims without the knowledge or consent of the homeowners and listed themselves as a payee on some of the submitted claims. The Department banned the company from doing business in California. The Department's Enforcement Branch continues to investigate leads and work with the insurance industry and local law enforcement to go after unscrupulous and unlicensed actors who take advantage of vulnerable consumers, especially in challenging times after a wildfire.

Commissioner-Led Actions To Protect Wildfire Survivors, Speed Recovery, and Prevent Fraud

Since the start of the Los Angeles fires, Commissioner Lara has taken multiple actions to speed recovery and prevent fraud including:

- **Releasing data showing insurance companies already have paid \$6.9 billion to Southern California wildfire survivors:** [This data includes immediate payments](#) issued under laws requiring advance payments to

speed recovery. This data does not include property rebuilding or debris removal which will grow as rebuilding gets underway.

- **Protecting homeowners from insurance cancellations and non-renewals:** This [moratorium order](#) shields those within the perimeters or adjoining ZIP Codes of the Palisades, Eaton, Hughes, Hurst, Lidia, Sunset, and Woodley fires, for one year from the Governor's [Executive Order N-14-25](#) on January 27, 2025 -- regardless of whether they suffered direct property loss. Those with a total wildfire loss have additional protections under law. Given the overwhelming support by local elected leaders and consumers for the residential moratorium law that Commissioner Lara has implemented since 2019 to protect millions of homeowners across the state, Commissioner Lara is sponsoring the Business Insurance Protection Act (SB 547) this year jointly authored by Senator Sasha Renée Pérez and Senator Susan Rubio to expand this law to include commercial policies. This measure will cover businesses, homeowners' and condominiums associations, affordable housing units and residential developments, and non-profits, among other essential businesses.
- **Increasing insurance coverage in high-risk areas:** Commissioner Lara, as part of his [Sustainable Insurance Strategy](#), issued his [Net Cost of Reinsurance in Ratemaking Regulation](#) and [Catastrophic Modeling in Ratemaking Regulation](#) which require insurance companies — for the first time — to increase coverage in high-risk areas, ensuring more options for Californians while limiting the costs passed on to consumers. These regulations work hand-in-hand with other reforms that Commissioner Lara has spearheaded that will have the effect of maintaining and increasing insurance coverage options for Californians across the state. Under the regulations, insurance companies using reinsurance costs and/or catastrophic modeling must increase coverage in wildfire-prone regions.
- **Alerting residents to evacuation benefits:** Many consumers are unaware that they may have coverage under their homeowners' and renters' insurance policies to help them with evacuation and recovery expenses. Commissioner Lara reminded residents in Los Angeles County who have been ordered to evacuate due to the wildfires that their homeowners' or renters' insurance may help with evacuation and relocation costs under Additional Living Expenses coverage, known as ALE. ALE coverage typically includes food and housing costs, furniture rental, relocation and storage, and extra transportation expenses, among other costs. Also, those with [uninhabitable homes](#) -- even if there is no wildfire damage -- could have coverage under ALE.
- **Directly helping more than 5,000 wildfire survivors:** Department of Insurance experts have given one-on-one help to wildfire survivors in insurance support workshops, disaster recovery centers, and through our hotline. Commissioner Lara announced two more insurance support workshops on [March 8 in Los Angeles](#) and [March 15 in Pasadena](#) to help survivors understand their insurance policies and the claims process, while also providing information about available resources for rebuilding and recovery. These workshops are open to all those impacted by the recent wildfires. Call 800-927-4357 to schedule a one-on-one appointment with a Department of Insurance expert.
- **Protecting access to health care and medication:** Commissioner Lara [issued a Notice](#) directing companies to submit emergency plans detailing how they will ensure continued access to medically necessary health care services, including prescription drugs, for the duration of the declared State of Emergency due to the Palisades, Eaton, and other fires.
- **Cracking down on fraud:** Commissioner Lara sent the Department's enforcement team to safeguard Angelenos from fraudsters who are targeting wildfire survivors and [announced a strike team](#) with the Los Angeles County District Attorney's office.
- **Ensuring no out-of-pocket insurance costs for debris removal:** Commissioner Lara worked closely with local, state, and federal leaders to ensure that the program's costs are not deducted from a policyholder's primary insurance benefits needed to rebuild. He also issued a [Consumer Alert](#) and [Notice](#) detailing how the program will interact with insurance — a benefit available to all eligible property owners who choose to participate in the 2025 Los Angeles Wildfires Debris Removal Program.

If you have any questions or need assistance, the California Department of Insurance is here to help. Please call 1-800-927-4357 or visit www.insurance.ca.gov.

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Additional Contact Information:

- California Governor's Office of Emergency Services (Cal OES): (916) 657-9494 or www.caloes.ca.gov
- California Department of Forestry and Fire Protection (CAL FIRE): www.fire.ca.gov
- Federal Emergency Management Agency: 1-800-621-FEMA (3362) or www.fema.gov
- Contractors State License Board: 1-800-321-CSLB (2752) or www.cslb.ca.gov
- National Insurance Crime Bureau 1-888-815-9064 or www.nicb.org