

California wildfires may cost insurers \$1.6 billion

By Zachary R. Mider BLOOMBERG NEWS

The wildfires in California may cost insurers between \$900 million and \$1.6 billion, according to Risk Management Solutions Inc., an industry consultant.

The losses might exceed that range if the fires spread, Newark, Calif.-based RMS said in a statement yesterday. Based on that estimate, Fitch Ratings said the blaze may become the biggest U.S. natural disaster this year, and exceed all but two previous U. S. conflagrations without adjusting for inflation.

“There are still several large fires that are less than 30 percent contained, and the next 24 hours will be critical,” said Neena Saith of RMS, a unit of London-based Daily Mail & General Trust that uses models to predict damage from natural disasters.

The fires would cut profit at Allstate Corp., the largest publicly traded home insurer in the state, 23 cents a share in the fourth quarter if damage totaled \$1.5 billion, Lehman Brothers Holdings Inc. analyst Jay Gelb estimated yesterday. That would trim earnings by 13 percent, given the \$1.74 average estimate of 18 analysts compiled by Bloomberg before the fires began. Allstate won't release data on damage yesterday, said spokesman Rich Halberg.

State Farm Mutual Insurance Co. and Farmers Insurance Group, the largest home insurers in the state, face claims from at least 4,980 customers whose homes were damaged or destroyed by the wildfires and the hurricane-force Santa Ana winds. The three companies together cover 52 percent of the homes in the state, according to 2006 data compiled by A.M. Best Co.

State Farm, based in Bloomington, Ill., has received 2,280 claims, with 447 homes classified as uninhabitable, spokesman Dick Luedke said. Farmers, based in Los Angeles, has about 2,700, spokesman Jerry Davies said. Neither estimated the value of their claims.

The 1991 Oakland Hills, Calif. blaze cost \$1.7 billion, and Southern California fires in 2003 cost insurers \$2 billion, Fitch said. The largest U.S. natural disaster this year was April's East Coast rainstorm and cost insurers \$1.2 billion, the rating company said. Overall, catastrophes cost



Tress Goodwin reacts as she sits in the ashes of her parents' home, which was destroyed by fire in San Diego. (THE ASSOCIATED PRESS)

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insurers \$4.7 billion in the first nine months of 2007, compared with \$7.8 billion in the same period in 2006.

Eqecat Inc., an Oakland, Calif.-based risk modeling firm, said Wednesday the burning had already caused \$1 billion of insured damage. Christopher Thornberg, a principal at consulting firm Beacon Economics, estimated \$1 billion to \$2 billion of damage in an interview yesterday.

Standard & Poor's said it is maintaining its current stable outlook for the home and business insurance industries.