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The Impact Of The Los Angeles Wildfires On California's Property Insurance, Housing Finance, And State Creditworthiness - S&P

Key Takeaways

- The losses from the Los Angeles wildfires are expected to cause property insurance carriers to raise rates and/or reduce coverage options in California and other at-risk areas. This could be exacerbated in the likely event that the California FAIR Plan falls short of funds. Regulatory reform in the state could eventually improve homeowner insurance accessibility and alleviate the strain placed on the FAIR Plan.
- However, anticipated increased insurance premiums will further strain home affordability. This could translate into downward pressure on home values for a state that has already been experiencing muted population growth.
- The rising insurance costs and mounting affordability challenges could weigh on the creditworthiness of the state of California over time. Currently, however, our rating outlook is stable.

The recent and currently active Los Angeles County wildfires have reached unprecedented levels of insured losses. S&P Global Ratings details the fires' likely impact on California's property insurance, housing finance, and state creditworthiness.

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