

California Wildfires

Practical Advice for Those Facing the Unthinkable

If the California wildfires have impacted you or those you love, we understand you are facing unimaginable challenges and loss. As a financial services firm, we stand ready to support you by sharing practical advice that has helped our colleagues, clients, friends, and family in similar circumstances. If this information does not apply to your situation, we encourage you to pass it along to those who might benefit.

Useful Insurance Benefits

Your homeowners' insurance policy may offer benefits especially relevant to disaster scenarios.

CASH-OUT OPTIONS

Some carriers, such as Chubb and PURE, allow cash-out options if your home has been destroyed or significantly damaged. This means you can receive a full payout without the obligation to rebuild, giving you the flexibility to relocate or reinvest elsewhere and avoid delays in California's competitive rebuilding market.

ADDITIONAL LIVING EXPENSES (ALE)

Most policies include ALE coverage, which extends beyond hotel stays and short-term rentals to include costs such as pet boarding and restaurant meals if you are under evacuation orders or your home is uninhabitable.

Tips for Filing Insurance Claims

Here are some best practices for getting your insurance claims resolved with as little aggravation as possible.

PREPARE BEFORE YOU FILE: Before you contact your insurance company, organize your thoughts and outline a clear timeline of events. Whenever you speak to the insurance company (and there will likely be multiple conversations), consistently recount the facts. The insurance company's job is to adjust the claim; inconsistencies could lead to delays or complications.

FILE EARLY: Submit your claim as soon as possible. Insurance companies will be inundated with claims, and you want to secure your "place in line" even if you aren't sure about the full extent of the damage.

LEVERAGE YOUR BROKER: If you purchased your policy through an independent broker, contact them for assistance. The broker is in your corner, and as a licensed professional, they could be your best resource for navigating the claims process.

DOCUMENT EVERYTHING: Keep receipts and detailed records of all expenses related to evacuating your home, such as lodging, meals, and pet boarding. For those returning home, take detailed photos and videos of the damage. Though it's tempting to begin cleaning up and rebuilding, it's best not to start any repairs until the insurance company has confirmed you can.

KNOW YOUR RIGHTS: Insurance companies are legally obligated to pay legitimate claims no matter how long or frustrating the process might be. You don't have to accept their first settlement offer or use their recommended contractor.

Tax Relief

You may be eligible for tax relief for some wildfire-related losses.

QUALIFIED DISASTER LOSSES

On January 9th, President Biden declared this a major disaster following Governor Newsom's request. This action allows taxpayers to deduct losses not reimbursed by insurance, subject to a \$500 reduction, on their federal income tax return. Generally, California will conform to this treatment and may provide additional relief on income and property taxes. The IRS and the State may also delay estimated tax payments and tax return filings.

INDIVIDUALS AND BUSINESSES

Individual taxpayers and businesses affected by the California wildfires may benefit from various relief provisions in the Internal Revenue Code. These provisions allow individuals to amend a prior year tax return to receive a timelier refund. They also permit business owners to provide payments to employees that are not subject to payroll taxes or income taxes.

BUSINESS AND INVESTMENT PROPERTIES

If you have income-producing property, uninsured losses, or losses greater than the insurance reimbursement, you could qualify for deductions. Additionally, insurance proceeds from business property destroyed in a major disaster qualify for deferrals of any gains and potential exchanges of similar property.

Financial Aid and Loans for Individuals, Businesses, and Nonprofits

Government assistance programs are available to help.

FEMA ASSISTANCE: FEMA funds emergency supplies, including food, water, baby formula, and medication. You can apply for assistance online at www.DisasterAssistance.gov, by calling 1-800-621-3362, or by using the FEMA App.

U.S. SMALL BUSINESS ADMINISTRATION (SBA) LOANS: The SBA offers loans to impacted homeowners, renters, nonprofits, and businesses of all sizes.

» **HOME DISASTER LOANS:** Loans to homeowners or renters to repair or replace disaster-damaged real estate and personal property, including automobiles.

- » **BUSINESS PHYSICAL DISASTER LOANS:** Loans to businesses to repair or replace disaster-damaged property owned by the business, including real estate, inventories, supplies, machinery, and equipment. Businesses of any size and nonprofits are eligible.
- » **ECONOMIC INJURY DISASTER LOANS:** Working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period.

You can apply [online](#) for a disaster loan, call the SBA at 800-659-2955, or [schedule an in-person appointment](#).

Where to Donate

If you have the means, please consider donating to these and other nonprofit groups assisting those in harm's way:

- » Red Cross Disaster Relief: www.redcross.org/donate
- » California Community Foundation Wildfire Relief Fund: www.calfund.org/
- » United Way Disaster Recovery Fund: www.unitedway.org/recovery
- » Direct Relief: www.directrelief.org/2025/01/as-southern-california-fires-rage-medical-aid-en-route/
- » California Fire Foundation: cpf.salsalabs.org/cff-donation/index.html
- » L.A. Fire Department Foundation: supportlafd.kindful.com/?campaign=1040812
- » Pasadena Community Foundation: pasadenacf.org/
- » Ventura County Community Foundation: vccf.org/make-a-donation/

At Cerity Partners, our thoughts are with the residents of California as they face the devastating wildfires; we hope for their safety, the swift containment of the fires, and a rapid recovery.

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