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Basically, California voters passed a law in 1988 called Proposition 103, which made it way harder for insurance companies to operate in the state without getting their asses kicked. On top of requiring insurance companies to get government permission from an elected commissioner before raising rates (I'm suuuuuure that doesn't distort the market, wink wink), the law makes it far more difficult for actuaries—the math nerds who rake in gobs of money making sure insurance companies don't price their policies too low and, you know, go out of business) to do their jobs. You know that whole thing about "the future might not look like the past"? Insurance companies in California are only able to use old historical data, not advanced statistical models that account for how the world might be changing (such as southern California becoming hotter or drier or windier). Insurance companies in California—unlike in literally every other state in America!—also aren't allowed to pass on the cost of reinsurance (think of reinsurance as big boy insurance policies that little boy insurance companies purchase to pass along the risk of having to make massive payouts after largescale disasters, such as half the city of Los Angeles getting wiped off the face of the earth), which means any insurance company that operates in California pretty much has to eat a big whopping shit sandwich whenever something bad happens. Because of all this, many of the major insurance companies—State Farm, Allstate, USAA, Travelers, Nationwide, all the usual suspects you see advertising with cartoon mascots during the Super Bowl—have reduced coverage across the entire state, and State Farm pulled out of Pacific Palisades entirely. 1,400 of the 9,000 homes in the neighborhood had insurance through the state's insurance company of last resort, a janky government operation called the FAIR Plan. But the FAIR Plan only has around \$200 million set aside, and its exposure in Pacific Palisades alone is close to six billion-with-a-B dollars. Whoops! Now pour me another glass of champagne and let's talk about those fire hydrants that somehow ran out of water.

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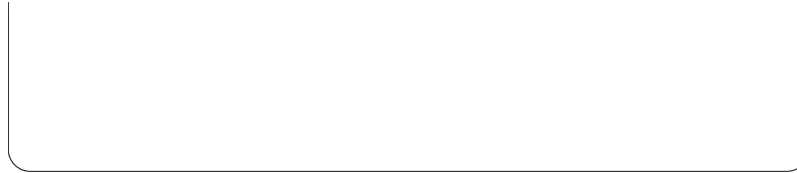
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