

## Allstate in midst of requesting 34% insurance rate hike

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Allstate has asked the state to approve an average 34.1% homeowners insurance rate hike for this year, the Department of Insurance confirmed Thursday .

The rate hike request, filed in April 2023, was initially for 39.6%. But Consumer Watchdog, a Santa Monica-based consumer advocacy group, petitioned to intervene. Allstate lowered the request affecting more than 350,000 policyholders this past January, the state insurance office reported.

In a prepared statement, Allstate noted its efforts to help Californians recover “from accidents and disasters have increased significantly in recent years due to higher repair costs, more frequent and severe weather and legal system abuse.”

The filing change comes on the heels of several rate increase requests from other insurers in the last year. State Farm, California’s largest insurer, received approval earlier this year from the Department of Insurance for a 20% increase. Now it awaits approval on another 30% hike.

The state is likely to approve many of the rate hike requests as it attempts to close the door on insurance carriers leaving California.

Many insurance firms have threatened to pull out of the wildfire-prone state unless California Insurance Commissioner Ricardo Lara devises and implements a survival strategy for an industry in crisis.

The Department of Insurance refers to that proposal as the Sustainability Insurance Strategy, one designed to keep insurance companies engaged in the state in exchange for streamlining the rate filing process, a strategy Gov. Gavin Newsom supports.

Industry sources contend the companies have lost money in the wake of multiple, costly catastrophes that keep mounting each year.

“Insurers have done a great job getting the insurance commission to approve rate increases. They’ve set the stage,” said Amy Bach, executive director of United Policyholders, a consumer protection group out of San Francisco.

Under Proposition 103 enacted in 1988, insurance rates must be justified to ensure policyholders do not pay any premiums that are considered excessive.

But there’s a wrinkle that gives leverage to the insurance companies.

“Also under Prop. 103, insurance companies are not required to write policies,” said Gabriel Sanchez, a spokesman for the Department of Insurance.

And there lies the state’s delicate balance to ensure homeowners needs are met without losing the insurance firms.

“Sure, any consumer would be happier with (Allstate) asking for less,” Consumer Watchdog Executive Director Carmen Balber said, confirming the group’s intervention.

But this may not be it for rate increases.

Balber, who joined a Department of Insurance town hall conference call last month, has shared the concern that rates will keep rising.

“The plan gives the companies carte blanche to ask for more rate increases,” she said.

United Policyholders Consumer Advocate Joel Laucher, who once worked at the Department of Insurance, fears the possibility of stand-out increases on the horizon.

“Despite seeing mostly double-digit increases. This can mean triple-digit requests for certain localities,” he said.

In some respects, Laucher contends, the state’s proposed plan is better than “the current process (that’s)

lacking” viability.

“All rates are still backward looking,” he said.

Of 20 rate increase requests made with the state in the last six months, regulators have approved of at least half so far in what can be a lengthy process.

Allstate represents California’s sixth largest home insurer, representing about 5.5% of the overall market, according to InsuranceNewsNet.com, an online insurance information source based in Camp Hill, Pennsylvania.