United Policyholders
Empowering the Insured

[As wildfire risks intensify, California insurance rates keep rising](https://uphelp.org/as-wildfire-risks-intensify-california-insurance-rates-keep-rising/)

Washington Post

Allstate will increase rates by an average of 34.1 percent as part of the state's deal with the industry to expand coverage to homeowners in risky areas.

California insurance officials have approved Allstate's request to raise insurance rates for homeowners by an average of about 34 percent. It's the largest premium hike of any major carrier in the past three years — and the latest gut punch for residents as the state continues its ongoing push-pull with insurance companies over how much people should pay to live in wildfire-prone areas.

The Allstate rate changes, which will go into effect in November, will hit about 200,000 households across a range of regions, from coastal communities such as San Mateo and Santa Barbara counties, to inland areas such as Fresno. About 5,000 households will see their rates increase by more than 100 percent. Pockets of homeowners will have to pay much more: Five homeowners in Central California's Mariposa County will have to pay about 203 percent more for their premiums, while another resident in the same county will see theirs spike by 385 percent, filing data shows.

Two out of 178 or so people in the tiny community of Snelling, Calif., will see a 232 percent increase. In Sonoma County, which has seen some of the state's most destructive fires, rates will rise by an average of 164 percent. About 2,000 policyholders, however, will see their rates drop by almost 60 percent, according to the data.

This hike is far from a sudden move and reflects how the state's insurance department has been trying to balance keeping carriers from ditching or not expanding coverage for residents while enabling them to charge more for climate change-related costs.

Like other disaster-prone states, California, one of the world's largest insurance markets, has been reeling from a growing crisis over coverage. In the past year or so, seven out of the state's top 12 carriers, including Allstate and State Farm, pulled back coverage, blaming wildfires, the rising costs of such threats and state regulators' refusal to approve rate hikes. They have claimed that homeowners' premiums do not match the risk they face and have pressured the state's insurance department to make some big changes.

Historically, California residents have paid less for homeowners insurance than the national average and much less than other disaster-prone states. Florida residents, for example, are shelling out an average of $3,340 a year for a homeowner's policy, according to the Insurance Information Institute, while Californians are paying about $1,300.

Last September, California's insurance commissioner, Ricardo Lara, introduced what he called "historic" reforms in an attempt to stabilize the market, bring more insurers back and get more residents out of the FAIR Plan, the state's insurer of last resort that has ballooned as more private carriers drop residents. The deal is aimed at allowing carriers to charge residents for the rising costs of climate change in exchange for them expanding coverage to at-risk communities.

And even with these changes, "California still has lower insurance costs on average than many states," said Michael Soller, a spokesman with the state's insurance department, who also noted that these rate hikes were part of the deal to get insurers to write more policies.

"For the first time in California history, insurance companies are agreeing to write more high-risk policies and take homes back from the FAIR Plan provided the ability to use risk assessment tools such as catastrophe modeling and reinsurance," Soller said in a statement.

In a statement, Allstate said that "this home insurance rate approval allows us to continue protecting our existing customers" as the carrier continues to work with insurance officials. Due to "higher home values and repair costs coupled with more frequent, severe weather," the company needed to adjust rates, it added.

In 2022, Allstate stopped writing new policies, citing financial risk due to wildfires, and last spring it asked for a significant rate hike. In April, Allstate said it was working with the California Department of Insurance to expand its coverage to more parts of the state "once home insurance rates fully reflect the cost of providing protection to consumers."

California officials have also approved requests from other top insurers, such as Safeco, Liberty Mutual's subsidiary, and State Farm, to raise rates as part of their plan to stabilize the market, especially as more and more residents are dealing with flooding, fires and other climate change-fueled weather events and disasters.

Policyholder advocates say this initiative will continue to be a bumpy and often expensive ride, especially for residents.

Multiple insurers over the past few years have dropped residents, especially those who live in wildfire-prone regions, leaving people scrambling to find another carrier. Many Californians have also been watching their premiums rise to levels they cannot afford. As a result, an increasing number of homeowners have chosen to go without insurance and take the risk of losing everything.

"If you're one of the California homeowners insured with the 'good hands' people and already paying more due to an Allstate rate increase that hit earlier this year, yesterday's announcement of another much higher increase doubles down on the bad news," said Amy Bach, executive director of United Policyholders, an advocate for consumers.

For those concerned about their premiums rising, Bach suggested that they look up potential discounts, find an experienced agent and shop around "for a better deal with a competing insurer."

Consumer Watchdog, an advocacy group, has called for more transparency on how carriers determine these surcharges. In a blog post last week, the organization said it had challenged Allstate's original proposal last spring because it did not "publicly disclose the computer model" that the carrier used to determine the premium increases. The two parties negotiated and Consumer Watchdog eventually agreed to Allstate's requested rate increase.

There continues to be concern, though, about how much insurance companies will end up charging homeowners as weather events continue to become more catastrophic.

In June, for example, State Farm, which stopped offering new homeowner policies last year because of wildfire risk, requested another rate increase for its subsidiary State Farm General after insurance officials had already approved a 20 percent hike.

In response, Lara, the state commissioner, said that the carrier's request raised "serious questions about its financial condition" and that it "has the potential to affect millions of California consumers and the integrity of our residential property insurance market."