[California approves State Farm’s request for 17% premium increase for homeowners](https://uphelp.org/california-approves-state-farms-request-for-17-premium-increase-for-homeowners/)

NBC 4 Los Angeles

State Farm can soon start raising premiums by 17% for its California home insurance customers. State Insurance Commissioner Ricardo Lara approved the rate hike Tuesday.

California’s top insurance regulator said Tuesday that State Farm can soon start raising premiums by 17% for all of its home insurance customers in the state to help the insurer rebuild its capital following the Los Angeles wildfires.

State Farm has argued the emergency rate hikes are necessary to help the company avoid a “dire” financial crisis that could force them to drop more California policies. The state’s largest home insurer said it was already struggling financially before this year but the LA fires, which destroyed more than 16,000 buildings in January, have made things worse.

The increase will apply to all of the roughly 1 million homeowners State Farm insures in the state.

The decision comes as California is undergoing a yearslong effort to entice insurers to continue doing business in the state as wildfires increasingly destroy entire neighborhoods. In 2023, several major companies, including State Farm, stopped issuing residential policies because of high fire risk. Last year, Insurance Commissioner Ricardo Lara unveiled a slate of regulations aimed at giving insurers more latitude to raise premiums in exchange for more policies in high-risk areas. Those rules kick in this year.

State Farm initially asked for a 22% rate increase for homeowners but revised it to 17% during a recent hearing before an administrative judge. The request also includes a 38% hike for rental owners and 15% for tenants. The new rates will take effect in June. In exchange, State Farm will get a $400 million cash infusion from its parent company and agree to halt some nonrenewals through the end of this year.

On Tuesday, administrative Judge Karl Frederic Seligman ordered a ruling supporting State Farm's request, calling it "a rescue mission to stabilize State Farm's financial condition while safeguarding policyholders."

Lara adopted the recommendation the same day. The new rates are temporary until the state has a chance to consider State Farm's request from last year for a 30% rate increase for homeowners. The hearings for that request are set for October."I expect State Farm provide the highest level of service to its California customers and to fulfill its promises. State Farm must now justify its financial condition and detail its recovery plan in a full rate hearing before a neutral judge and my Department's experts," Lara said in a statement.

State Farm said in a statement that the approval "is a critical first step for State Farm General's (SFG) ability to continue serving our California customers." The company received a financial rating downgrade last year and has seen a decline of $5 billion in its surplus account over the last decade.

The company said it has paid more than $3.51 billion and is handling more than 12,600 claims as of this week.

"Today's decision that would make consumers pay now but allow State Farm to wait months before having to show its math is a great disappointment for consumers," Carmen Balber, executive director of Consumer Watchdog, said of the ruling. The group opposes State Farm's request for higher premiums.

State Farm said it plans to refund the emergency rates if California later approves lower rates. The insurer last received state approval for a 20% rate increase in December 2023.