United Policyholders
Empowering the Insured

California homeowners struggle amid state’s insurance market crisis

NBC Bay Area

People across California continue to struggle as many are being told that their homeowners insurance policies will not be renewed.

A number of providers are now telling homeowners they live in high-risk areas that are too fire prone or “too densely populated.”

San Francisco is the second most densely populated city in the United States and some homeowners learned this week because of that designation their homeowners policy will not be renewed.

A woman who lost her Napa County home in the 2017 Tubbs Fire told NBC Bay Area by email Saturday that State Farm dropped her policy last week and she can’t find another private insurer to step in.That means she will likely have to buy the California Fair plan subsidized by the state. It’s expensive and only offers fire coverage.

State Farm issued a written statement to NBC Bay Area earlier this week, explaining its decision to no longer write new policies for new California homes and to end coverage for about 50,000 existing California customers.

“This decision was not made lightly and only after careful analysis of state farm general’s financial health, which continues to be impacted by inflation, catastrophe exposure, reinsurance costs, and the limitations of working within decades-old insurance regulations,” State Farm said in a statement.

But the latest financial report from its parent company shows a net worth of more than $134 billion.

“It feels like they’re just trying to ratchet up the pressure on the California Department of Insurance,” said Amy Bach with United Policy Holders.

NBC Bay Area talked to a non-profit research group about the growing problem of non-renewals in fire and densely population zones.

The group said that insurers have been losing money due to California premium limits and that for every dollar insurance companies receive in premiums, a $1.08 is spent on paying out claims.

“California is a very high-risk state as we know,” said Mark Friedlander with the Insurance Information Institute.

Friedlander said the California Department of Insurance and Commissioner Ricardo Lara are currently updating regulations that could bring more policy options at competitive prices back to the state.

“That would mean being able to charge what is commonly known as “actuarially-sound rates.” Something that is not occurring today,” Friedlander said.

But Friedlander said it could take a few years for the California Homeowners Insurance Industry to stabilize even after the new laws are enacted.

“But it’s not going to happen right away. It’s not an immediate fix,” he said.

In the meantime, homeowners are left worrying about whether today’s policy will still be there tomorrow.