

California's largest homeowner insurance provider no longer writing new policies

CBS8

While State Farm's decision impacts potential new customers, those who currently hold a homeowner's policy with State Farm will continue to be covered.

California's largest provider of homeowner insurance says that it will no longer write any new policies for both personal and business properties.

State Farm said that, among other factors, the growing risk of wildfires and the increasing cost to rebuild are behind the surprise decision.

While this move impacts potential new customers, those who currently hold a homeowners policy with State Farm will continue to be covered.

"State Farm's announcement is certainly not good news, but it is not a reason to panic," said Amy Bach, executive director of the non-profit United Policyholders, which advocates for insurance customers.

She said this might be the smartest prudent decision for current policyholders here in the Golden State, "Because they've got a lot of obligations to a lot of California property owners right now," Bach explained, "and we want to make sure that they meet those obligations."

State Farm said in a statement that it "made this decision due to historic increases in construction costs outpacing inflation, rapidly growing catastrophe exposure, and a challenging reinsurance market," adding that "it's necessary to take these actions now to improve the company's financial strength."

"On the insurance side, we want to stay solvent. We want to stay committed to California, and so we have to take measures to be solvent," said Janet Ruiz with the Insurance Information Institute, a trade

association for the insurance industry.

'The insurance industry has lost 20 years' worth of underwriting profit in the last six to eight years due to the catastrophes we've seen in the number of homes and business burning," Ruiz told CBS 8.

However, Consumer Watchdog founder Harvey Rosenfield disputes those figures and is calling on the state's insurance commissioner Ricardo Lara to take action against State Farm.

"It's a showdown," he said. "It's a showdown between the insurance industry and the people of California!"

Rosenfield authored Proposition 103, which passed here in California back in 1988. It requires insurance companies to be transparent in their requests for rate increases. which the state's insurance commissioner must first approve.

"State Farm is really creating a shortage," Rosenfield added. "An artificial shortage in the marketplace, because it's the biggest homeowner insurance company in California."

Rosenfield said that Lara has the authority — and duty — to force State Farm to reverse course and continue writing new policies.

But in a statement, the state's Department of Insurance said, "Their claims are not supported by the law. Our Department's experts will use every tool to make sure State Farm's future rates are based on accurate data."

The statement also said, "The factors driving State Farm's decision are beyond our control, including climate change, reinsurance costs affecting the entire insurance industry, and global inflation."

"It's very disturbing," Rosenfield responded. "The voters elected Insurance Commissioner Lara to enforce the law. He has control!"

"It's easy to point fingers at the Commissioner," Bach countered. "but I think that it's really more complicated than that."

Here is the statement issued by State Farm:

State Farm General Insurance Company, State Farm's provider of homeowners insurance in California, will cease accepting new applications including all business and personal lines property and casualty insurance, effective May 27, 2023. This decision does not impact personal auto insurance. State Farm General Insurance Company made this decision due to historic increases in construction costs outpacing inflation, rapidly growing catastrophe exposure, and a challenging reinsurance market.

We take seriously our responsibility to manage risk. We recognize the Governor's administration, legislators, and the California Department of Insurance (CDI) for their wildfire loss mitigation efforts. We pledge to work constructively with the CDI and policymakers to help build market capacity in California. However, it's necessary to take these actions now to improve the company's financial strength. We will continue to evaluate our approach based on changing market conditions. State Farm® independent contractor agents licensed and authorized in California will continue to serve existing customers for these products and new customers for products not impacted by this decision.

Here is the full statement from The California Department of Insurance:

While insurance companies prioritize their short-term financial goals, the long-term goal of the Department of Insurance is protecting consumers. The factors driving State Farm's decision are beyond our control, including climate change, reinsurance costs affecting the entire insurance industry, and global inflation. The Department of Insurance is focused on the safety of our homes and communities. We have been here before after major wildfires. What's different is the actions that we are taking with the first-ever insurance discount program for wildfire safety and unprecedented wildfire mitigation investments from the Legislature and Governor.

More than 115 insurance companies currently offer California homeowners' insurance. The Department of Insurance remains focused on making sure consumers have the most options to meet their insurance needs.

It's important to note that current customers will not lose their insurance. There are no non-renewals taking place with State Farm's announcement, and State Farm continues to write new private passenger auto insurance policies.



We urge consumers to stay informed about their insurance options and rights. The Department of Insurance provides consumers with resources and guidance to assist homeowners and businesses in navigating the insurance landscape. For further information, please visit our website at www.insurance.ca.gov or contact our Consumer Hotline at 1-800-927-4357.