

Getting Answers: What does State Farm's updated insurance policy mean for Californians?

CBS13 Sacramento

When State Farm recently announced it would not accept new home insurance policies in California, it sent a ripple effect throughout the market.

The state's largest property insurer said it would not drop existing customers.

People living in the Sierra Foothills know nature and uncertainty co-exist there.

"Depends on how hot the summer is, depends on whether we get any rain or not, how much lightning will strike in the mountains, how many people throw a cigarette out the window — you just never know," said Dave Witt, a Colfax resident.

The Mosquito Fire came narrowly close to reaching Foresthill last September. It is a familiar narrative throughout California.

In 2021, the state experienced 7,396 wildfires. Last year, Cal Fire reported it was close to 7,490.

State Farm recently announced the "rapidly growing catastrophe exposure" and construction costs forced them to stop issuing new policies in the state.

"It didn't surprise me, but it's unfortunate," said Todd Valley resident Terri Reid.

United Policyholders told CBS13 that insurance companies saw major profits in recent years, but they also received massive claims.

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“They are still focused on their losses in 2017 and 2018 and they haven’t gotten over that,” said Amy Bach, executive director of the advocacy group.

“Who’s to say they’re going to keep those in place and not start dropping them?” Stephen Orr said.

The state’s largest home insurer said it would still provide service for existing customers, but insurance expert Bach told CBS13 it could happen with an exception.

“Unfortunately, the law is the insurance companies have the right as long as they give 75 day-notice when your policy comes up for renewal, they can tell you, ‘We’re not going to issue you a new policy,’ ” she said.

According to Bach, State Farm picked up a lot of policies in fire-prone areas over the years. Advanced technology showing satellite images of homes near those areas might have been another wake-up call.

It may be a matter of wait-and-see. Bach says insurers are scrutinizing whether measures taken around California to fire-proof homes work.

Meanwhile, homeowners will need to find an insurer to welcome them into protection. But less competition often means higher premiums for everyone.