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Inside California’s Home Insurance Squeeze: Higher Bills, Fewer Choices

Study Finds

After the LA fires, a $1 billion bill landed on providers and their customers; costs jumped 84% over 6 years, Stanford data shows.

In A Nutshell

- Average monthly home insurance premiums for California single-family homes rose 84% between 2020 and 2026 (45% after inflation), about $90 more per month, while average deductibles climbed from $1,813 to $2,553.
- The state’s FAIR Plan, an insurer of last resort offering limited coverage at high prices, went from covering about 2% of single-family homes in late 2020 to 5% by March 2026, and now covers nearly half of homes in the highest fire-risk ZIP codes.
- FAIR Plan growth has been fastest in low- and moderate-risk areas, a sign that even owners of safer homes are struggling to find private coverage; after the January 2025 Los Angeles fires, regulators approved a $1 billion assessment on insurers, half of which can be passed to policyholders.

A typical California homeowner is paying about $90 more every month to insure the same house they owned six years ago. That is not a luxury upgrade or a bigger home. It is the cost of staying covered in a state where wildfires now routinely wipe out thousands of houses in a single season, and where the math behind home insurance has come apart.

Researchers at Stanford’s Climate & Energy Policy Program tracked actual mortgage and insurance payments across California and found that average monthly premiums for insured owner-occupied single-family homes climbed 84% between 2020 and 2026. Even after stripping out inflation, the paper shows that the increase was 45%. Deductibles, the amount a homeowner pays out of pocket before coverage kicks in, rose too, from an average of $1,813 to $2,553.

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What worries the authors most is not just the price. It is where a growing number of Californians are ending up: the FAIR Plan, the state's insurer of last resort, built decades ago as a temporary backstop and now functioning as a permanent fixture of the housing market.

Inside the California home insurance squeeze

To get a current picture instead of relying on figures that are often a year or two stale, the Stanford team used loan-level data from ICE, a financial services firm that collects payment records through mortgage escrow accounts. That dataset covers roughly two-thirds of U.S. residential mortgages and runs through March 2026. Researchers narrowed it to first mortgages on owner-occupied single-family homes in California, then layered on the state's wildfire risk scores, which rate each ZIP code from 1 (negligible) to 5 (extremely high).

A few forces have been pushing premiums up at once. Climate change has made the hot, dry conditions that feed wildfires more common. More homes have been built in fire-prone areas. And after the 2017 and 2018 fire seasons, which the report estimates erased nearly three decades of industry profits and produced more than $10 billion in losses, insurers pulled back hard. In 2022 alone, seven of the twelve largest home insurers in the state sharply cut or stopped writing new policies.

Sitting underneath all of it is a 1988 ballot measure, Proposition 103, that requires state regulators to approve rate changes before they take effect. Insurers say the approval process moves too slowly to keep up with fast-rising risk. Between 2018 and 2022, California ranked second-to-last in the country for how long rate decisions took, averaging 236 days. To dodge mandatory public hearings, which kick in for increases of 7% or more, companies began filing a string of smaller requests just under that line, a workaround the industry nicknamed "serial 6.9's."

Why more homeowners are landing on the FAIR Plan

As private insurers retreated, more people had nowhere else to turn. In December 2020, about 2% of single-family homes in California were covered by the FAIR Plan. By March 2026, that figure had reached 5%, or one in twenty homes. In the riskiest ZIP codes, those rated 5 for fire danger, the FAIR Plan now covers close to half of all homes.

FAIR Plan coverage is not a generous option. It was created in 1968 to help urban residents who could not get coverage after the Watts riots, and it offers far less than a standard policy: dwelling-only protection, capped coverage, and higher prices for less. About 40% of FAIR Plan customers in the sample

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also buy a separate "difference in conditions" policy to fill the gaps, a share that reached 43% by March 2026, which adds another bill on top.

One of the more revealing findings is who is signing up now. For most of its history, the FAIR Plan served a narrow slice of homeowners. Over the past two years, its customer base has split into two distinct groups: longtime lower-cost customers, and a newer wave paying much higher premiums. Growth has actually been fastest in low- and moderate-risk areas, not the high-hazard zones people usually picture. That pattern points to a market where even owners of relatively safe homes are struggling to find a private insurer willing to write them a policy at all.

Stanford's team is careful here. Average FAIR Plan coverage costs actually dipped between 2023 and 2026, but the authors say that drop does not mean the plan got cheaper. It reflects an influx of lower-risk, lower-paying customers entering the pool, which pulls the average down even as prices in high-risk areas keep climbing.

A hidden cost buried in California home insurance bills
One consequence reaches well beyond fire country. Every admitted insurer in California is on the hook to help cover the FAIR Plan if its funds run dry. After the January 2025 wildfires in Los Angeles, regulators approved a $1 billion assessment on those member insurers, with half of it allowed to be passed along to ordinary policyholders.

Because companies have to set aside money for that kind of bill, they have an incentive to limit how many policies they write statewide, even in places with little fire risk. That dynamic, the authors argue, produces a steady shifting of cost from people in dangerous areas to everyone else. They describe homeowners in low-risk areas as paying an "implicit tax" to support high-risk coverage, and go further, writing that the FAIR Plan amounts to "an opaque wealth transfer from low-risk to high-risk regions." They flag that claim as suggestive rather than proven, and call for more research to pin down its scale.

Gaps between regions are widening fast. In low-risk Sacramento County, premiums have risen at a manageable pace. In the high-risk Santa Monica Mountains, which include Malibu and Pacific Palisades, they accelerated sharply after the 2017 and 2018 fires, with many areas seeing increases above 100%.

California's response is a package called the Sustainable Insurance Strategy, rolled out by the state Department of Insurance and finalized in 2025. It lets insurers use computer models to project future

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losses and factor in the cost of reinsurance, the coverage insurers buy to protect themselves, in exchange for writing more policies in fire-prone areas. That trade-off is blunt: if it works and brings carriers back, average premiums are expected to rise even as availability improves. A 29.1% rate increase for the FAIR Plan itself was approved in April 2026 and is set to take effect that October, after the study's data window closed.

There is one caveat the authors stress repeatedly. Their analysis is descriptive, drawn from observed payment records, and "should not be interpreted as causal or conclusive." It is meant to give policymakers a clearer view of a market in motion, not to assign blame.

What it does show plainly is a state where insurance, long treated as a routine line item in a home budget, has become one of the least predictable. And the authors are clear about the only durable fix: California has to lose fewer homes to fire in the first place, through prescribed burns, defensible space, and tougher building standards. Without that, no amount of regulatory tinkering changes the underlying bet that insurers, and homeowners, are being asked to make.Paper Notes

Limitations

This is a descriptive analysis of observed mortgage and insurance payment records, not a controlled study, and the authors explicitly caution that the findings "should not be interpreted as causal or conclusive." Data come from a subset of mortgages tracked by ICE's McDash database and may not fully capture the surplus lines market, which often covers higher-value homes. Insurance figures for 2013 through 2022 were recorded only in December of each year, and the most recent 2026 observation reflects only March, so year-over-year comparisons involving 2026 are partial. All dollar amounts are reported in nominal terms unless inflation adjustment is noted. These records also predate the 29.1% FAIR Plan rate increase approved in April 2026, meaning current costs are likely higher than the figures shown. Authors describe their argument that the FAIR Plan functions as a wealth transfer between regions as suggestive, requiring further research to quantify.

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