Liberty Mutual exiting condo, rental insurance market

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Liberty Mutual plans to stop offering condo and rental insurance policies in California over the next two years.

One of the state's largest insurers made three filings indicating the withdrawal of business in this category of coverage, the California Department of Insurance reported Dec. 20.

The insurance company will stop writing new condo and renters and watercraft policies under its subsidiary, Safeco, as early as next month. Its flagship company, operating under the Liberty Insurance Corporation umbrella, will not renew these types of policies beginning in January 2026.

The withdrawal affects approximately 88,000 policies throughout the state. The Boston-based company told the Business Journal it couldn't provide a breakdown by county.

Insurer advocacy groups and at least one North Bay bank expressed dismay with the decision, which comes shortly before the state embarks on a large reform package due by the start of 2025. The Office of Administrative Law, which reviewed the legal merits of the program, approved the reform a few weeks ago, allowing the state to move forward.

The core of the state Sustainable Insurance Strategy involves allowing insurers to boost their requested rates within reason and set them based on "catastrophe modeling." With this, rates are established on future risk predictions and not historical data.

In exchange, insurers have agreed to keep writing policies in a state prone to disasters such as wildfires.

"Liberty Mutual's recent announcement that they're getting out of the California rental and condo insurance market was the opposite of what we've been hoping for since the Department of Insurance … finalized new regulations that gave insurers one of their top wish list reforms," United Policyholders Executive Director Amy Bach said, referring to the catastrophe modeling component of the reform package. She sits on a working group tasked with advancing the reform.

Bach continued: "Instead of issuing a positive signal, Liberty Mutual doubled down on their negative outlook on our state and cast a shadow on hopes for an imminent turnaround."

Seattle-based WaFd Bank, which bought Luther Burbank Savings in Santa Rosa last February for $654 million, manages 661 commercial accounts on multifamily rentals in California.

"It's never good to take those options away from a community. It looks like to me it's a blanket policy. In the end, I hope they stay," bank spokesman Brad Goode said.

WaFd sold about $2.8 billion of multifamily commercial real estate (CRE) loans to Bank of America in June to gain liquidity, pay down debt and make new loans, among other reasons.

Goode admitted the action was unrelated to the insurance crisis and prophetic in this case, but the transaction turned out to be a positive one when the following quarter rolled around.

California's largest insurer, State Farm, announced in March it was not renewing about 72,000 policies. Over half that number consisted of commercial apartment coverage.

Carmen Balber, executive director of Los Angeles-based Consumer Watchdog, said she's not surprised by Liberty Mutual's news.

"We need a mandate that insurers cover property. They should be required to cover properties that are fire safe," she said.

Liberty Mutual countered that the withdrawals are part of their own plan to enact a sustainable future for the company.

"We remain committed to California, to our agent partners and to our mutual customers and will continue to provide our core Safeco products in the state," a Liberty Mutual spokesperson wrote in an emailed statement. “We are encouraged by progress on the department’s Sustainable Insurance Strategy and our investment plans reflect this.”