

Major insurance company sparks outrage with decision that affects thousands of policies: ‘The opposite of what we’ve been hoping for’

The Cool Down

Increasing frequencies of wildfires are pushing insurance companies out of California. Liberty Mutual is one of the latest insurance groups to abandon insurance coverage for California residents, the North Bay Business Journal reported.

What’s happening?

In late December, Liberty Mutual announced plans to roll back on and eventually eliminate insurance coverage for California condo and apartment renters by 2026. According to the NBBJ, 88,000 policyholders throughout the state are expected to lose coverage.

Liberty Mutual’s withdrawal came about promptly before California’s Department of Insurance revealed a historic insurance reform model to retain and expand insurance coverage throughout the state.

The reformed model would allow insurers to factor in reinsurance costs (backup insurance for insurance companies) in their customer costs. However, insurers would need to continue offering comprehensive homeowner insurance policies in wildfire-prone areas at a proportionate rate of 85% of their statewide market share.

For example, if an insurance group accounts for 10% of California’s total homeowner insurance market, it must write or renew at least 8.5% of its insurance policies in the state’s wildfire-prone areas.

“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,” said Amy Bach, executive director of

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United Policyholders, per NBBJ.

Why is the rollback of homeowner insurance concerning?

In 2024, Cal Fire responded to 8,024 fires throughout the state, a 9% jump from the previous year.

Long periods of drought and extreme heat, brought on by human activities that include intensive agriculture, deforestation, and harmful heat-trapping gas pollution (from using dirty energy sources), set the ideal environment for wildfires to ravage the lands.

More than ever, California residents and homeowners need security and insurance to protect their homes and assets.

What's being done about dropping homeowner insurance coverage?

California Insurance Commissioner Ricardo Lara issued a landmark regulation to require insurers to increase their coverage in underserved areas of the state by trading the allowance of catastrophe modeling in insurers' rates.

Idaho's Department of Insurance recently proposed the Idaho Wildfire Risk Mitigation and Stabilization Pool Act. This legislation would assist homeowners in securing funds to protect their homes from wildfire damage, which could encourage insurers to renew coverage or lower premiums.

Hopefully, these initiatives will inspire other states to action to protect more homeowners from losing insurance coverage on their homes.

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