

State Farm dropping 72,000 California home, apartment insurance policies

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The Illinois-based company is one of several carriers that in the past two years have back off of or walked away from property insurance coverage in the Golden State.

Windsor resident Julie Tyler is among the latest round of policyholders who was forced to find a new insurance company following State Farm's decision to drop tens of thousands of California property insurance policies starting this summer. It's a move the carrier called "difficult but necessary" to continue doing business in the state.

The Illinois-based company is California's largest home insurer and is one of several carriers that in the past two years have backed off or walked away from property insurance coverage in the Golden State, citing especially the financial risks in an era of increasingly catastrophic wildfires.

Tyler, 61, has had car insurance through State Farm since she was first able to drive, and home insurance with the insurer for 32 years. She was notified in late December her homeowner's policy wouldn't be renewed when it came due March 18.

"I thought this is insane. I've had them since I was 16. My parents had them," she said. "And I just retired in June."

Tyler filed three claims within five years and believes that's what sealed her fate. Her home sustained smoke damage in 2019's Kincade Fire. Then, her fence was damaged by heavy winds from winter storms a year ago. Her washer also caused flooding inside the house.

"I guess I had been living in a bubble. I thought, of course, I can find coverage," she said. But she got concerned when she discovered how difficult the process was.

She said even her own State Farm agent couldn't secure insurance for a cabin in Big Bear, despite working for the insurer for three decades.

"I heard that and thought: 'I'm screwed,'" she said.

After spending two weeks trying to find insurance, Tyler was forced to shell out \$6,800 in cash for an annual policy through a surplus carrier, which is specialized coverage written by providers not licensed in the state.

State Farm's announcement Wednesday will involve nonrenewal of around 30,000 policies for homeowners, renters, community associations and businesses, starting July 3. Then Aug. 20, the company's California home insurer plans to stop renewing commercial apartment coverage, affecting all 42,000 such policies.

"This was a big surprise to us. It's going to bring pressure on households that will be just awful," said Amy Bach, executive director of United Policyholders, an advocacy group based in San Francisco. "What it feels like now is they're trying for the next thing to make (policyholders) move to the Fair Plan."

The state's Fair Plan is California's insurance of last resort and costs much more.

The pullbacks have prompted thousands of residents and businesses in high-fire-risk areas to seek coverage through the California FAIR Plan Association, a coalition of insurers operating in the state. Earlier this month, lawmakers in Sacramento questioned the Fair Plan's administrators about their ability to financially manage the surge in inquiries.

According to John O'Neill, senior managing director for Risk Strategies Co., of San Francisco, the Fair Plan agents are receiving about 1,000 applications a day.

"They can't keep up. It's totally out of control. We need to stabilize the market," he said, labeling the state's problem a "crisis."

O'Neill said he's aware of about 42,000 apartment buildings that were not renewed in California.

The move affects just more than 2% of State Farm General's California policies, the company said. It said

customers would be notified about the pending policy expiration and given options.

“This decision was not made lightly and only after careful analysis of State Farm General’s financial health, which continues to be impacted by inflation, catastrophe exposure, reinsurance costs, and the limitations of working within decades-old insurance regulations,” the company said in its news release. The carrier said it needed to “maintain adequate claims-paying capacity” and “comply with applicable financial solvency laws.”

State Farm said last May that it would stop taking applications for new business and personal property and casualty coverage in California. In December, state insurance regulators approved an average 20% increase in homeowner policy rates this year for the insurance company.

State Farm’s western regional spokesman Sevag Sarkissian declined to comment on the matter. Instead, he diverted inquiries to Insurance Information Institute’s western chapter director, Janet Ruiz. Calls to Ruiz were not returned.

The California Department of Insurance responded to the company’s latest move, saying the agency is pursuing its mission to “hold insurance companies accountable for their words and deeds.”

“State Farm General’s decision today raises serious questions about its financial situation — questions the company must answer to regulators. ... In this particular situation, we have been working with State Farm’s home state of Illinois to get a full picture of its financial condition and plan for improvement,” Deputy Insurance Commissioner Michael Soller said in a statement Thursday.

Since May, several other large and small property insurance providers, including Allstate, Farmers and USAA, have decided to limit business or leave California altogether.