

State Farm dropping California policyholders

Fox 11

Is it home break-ins? Wildfires? Why is State Farm planning to not renew some 30,000 homeowners and 42,000 commercial apartment policies starting this summer in both Northern and Southern California?

“It’s an outrage that State Farm is dumping so many customers that have paid their premiums diligently for decades with the expectation that their home insurance will be there when they need it,” said Carmen Balber, with Consumer Watchdog.

Balber finds State Farm’s decision to dump customers disturbing because the big insurance company got a rate hike from the state’s Department of Insurance right before announcing the action to cut policyholders.

“State Farm just received a \$500 million rate hike that went into effect just this month,” she says. “So it’s doubly disappointing that they’re taking this step now.”

In a statement, the big insurance carrier says:

“The 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.”

“I think it’s a very sad state of things. It is a time in the market when it is very difficult for consumers to find replacement coverage so it really is going to put a lot of people in a difficult bind,” said John Lautcher, of United Policyholders, a policy-holders advocacy group.

But, who? Lautcher’s guessing it would be in high-risk areas but it sounds random since the company hasn’t named names.

“I would think they would have to share with the department some logical selection process,” Lautcher

guessed.

Balber says the commissioner of insurance needs to make State Farm explain who they're dropping.

"State Farm can not just cancel them tomorrow. That will happen on their policy renewal date. So if you just renewed your policy in February this won't take effect until next February. However, if your policy is up in July then you need to start looking for insurance right away," she said.

There is always the fair plan which both of the people we spoke with called "a last resort." It's just enough to deal with a mortgage, but the state insurance pool only covers things like fire, smoke and explosion.

Finally, State Insurance Commissioner Richardo Lara says if you're not renewed call the department and they'll help you get in touch with an insurance expert to help you find a replacement policy.