

State Farm Expects to Shed 1M Homeowner Policies in California

The Real Deal

State Farm, California's largest home insurer, expects to cut 1 million policies to stay financially solvent.

The Illinois-based firm, whose trademarked jingle is "Like a good neighbor, State Farm is there," expects it won't be here for a third of its statewide property insurance policyholders by the end of 2028, the San Jose Mercury News reported.

In three years, the company projects its policies to fall to less than 2 million, from 3.1 million at the end of last year, according to a filing submitted to the state Department of Insurance. State Farm now insures one in five homes across the state.

Since May last year, State Farm has put the brakes on new homeowner policies in the Golden State, as wildfire risk and increasing construction costs have pushed company liabilities to the breaking point. The company is paying more for claims than it's taking in.

In June, State Farm General, a California unit of the Illinois-based insurance giant, sought to hike homeowners insurance by a third or more to avoid going broke. This after raising customer rates 20 percent in March.

The firm has asked the Department of Insurance to allow the firm to raise homeowners insurance rates by an average of 30 percent for homeowners, 36 percent for condominium owners and 52 percent for renters.

This year, the company also told 72,000 policyholders it would not renew their coverage, beginning in July.

Last year, State Farm announced it would stop accepting new insurance applications for all business and personal property in California. Since then, other insurance companies, including Allstate, have announced similar changes.

State Farm's plan to shed 1 million homeowner policies includes both planned non-renewals, as well as natural attrition as policyholders decide to cancel or switch their insurance coverage, according to the filings.

The insurance company didn't respond to a request for comment from the Chronicle on the projections. It did say that the non-renewals represent just over 2 percent of its statewide policy holders.

If the proposed rate hikes don't end up being as steep, State Farm may have fewer people canceling their policies, Carmen Balber, executive director of Consumer Watchdog, told the Mercury News.

"That may change if we're able to stand in the way of this huge rate hike," she said.

In July, Consumer Watchdog filed a petition to stop the rate hike, which they called a "\$5.2 billion bailout by policyholders over the next four years."

Amy Bach, executive director of United Policyholders, an insurance consumer advocacy group, said that it's possible the State Farm projections could change. Eventually, State Farm could actually increase its number of policies in the state, depending on the result of its proposed insurance market reforms.

In February, the state Department of Insurance announced proposals to reform California's insurance regulations. The proposed reforms would allow insurance companies to switch from using historical data to catastrophe modeling, meaning companies would calculate projections of future risk when raising rates and pass on the cost of reinsurance to consumers.

"The insurance commissioner has said that in 2025, he expects the market to open back up and that we'll see many more insurers willing to write more policies in the new year," Bach said. "So we can see this as more bad news in 2024 and hope that 2025 will be better."

As insurers exit California, more homeowners are relying on the state's insurer of last resort, the FAIR Plan.



Participants in the plan, which offers wildfire coverage to those who can't get it elsewhere, rose by 20 percent last year to more than 350,000, while the plan's liability exposure has grown to \$336 billion, from \$50 billion in 2018, according to the Mercury News.

The information presented in this publication is for general informational purposes and is not a substitute for legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the "Find Help" section of www.uphelp.org. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

Source: <https://uphelp.org/state-farm-expects-to-shed-1m-homeowner-policies-in-california/> Date: April 5, 2025