

State Farm forecasts decline in California policies over the next five years

Insurance Business

The drop is expected to be around 1 million

Insurer State Farm has stated that it was expecting to see the number of policies that it issues in California decline by 2 million by the year 2028, following the financial issues it was encountering, as reported in an article by The Mercury News.

According to the article, the insurer submitted a filing to the California Department of Insurance on Sept. 10, which stated that its property insurance policies, including homeowners insurance, could possibly decrease from 3.1 million at the end of 2023 to 2 million by the end of 2028.

State Farm has not written new homeowners policies in the state since May 2023 because wildfire risks and the increase in construction costs have led to an increase in the insurer's liabilities.

United Policyholders executive director Amy Bach said that the projected scenario regarding the policies may possibly change and lead to State Farm having an increase in the number of policies in the state.

"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. So we can see this as more bad news in 2024 and hope that 2025 will be better," said Bach.

Being the biggest home insurer in California, State Farm noted that 72,000 policyholders will not be renewing their coverages, with the insurer stating that non-renewals represented only slightly more than 2% of State Farm's policy count in California.

Notably, the California Department of Insurance has approved a plan to increase rates across the state

by 30%.

Consumer Watchdog executive director Carmen Balber said that the firm might see a lower number of people that cancelled their policies if the proposed rate hikes were not as steep as expected.

“That may change if we’re able to stand in the way of this huge rate hike,” said Bach.

Meanwhile, the Consumer Watchdog filed a petition in order to stop the rate hikes, which they had called a “\$5.2 billion bailout by policyholders over the next four years,” said Bach.

What are your thoughts about this story? Share them in the comments below.