United Policyholders
Empowering the Insured

State Farm seeks ‘seismic-level’ rate hike as insurance crisis becomes ‘perfect storm’

SF Standard

Mere months after its last rate increases went into effect, California’s largest insurance provider is asking for another huge hike.

Earlier this week, State Farm’s California subsidiary submitted a request to the Department of Insurance to raise its rates by an average of 30% for homeowners, 52% for renters, and 36% for condo owners.

This marks the latest escalation of California’s home insurance crisis, which has seen a slew of insurance providers issuing dramatic rate increases, halting new policies or leaving the state entirely. Insurance industry experts have described the state of California’s insurance industry as a “ticking time bomb,” with a mass exodus of carriers severely straining the state’s “insurer of last resort,” which only provides bare-bones coverage.

State Farm itself stopped issuing new homeowner policies last year and left people scrambling when it announced in March that it would not renew roughly 70,000 existing policies, citing inflation and increased disaster risks. Shortly afterward, a credit-rating agency for insurance companies, AM Best, downgraded State Farm’s financial outlook to “negative.”

The proposed new increase amounts to “another seismic-level rate premium shock,” said Joel Laucher, program specialist at United Policyholders, an SF-based nonprofit that advocates for insurance consumers.

If granted, State Farm’s latest rate hike request would take effect when people renew their policies in 2025 and represent its largest increase in at least seven years, according to the SF Chronicle, which first reported the news. Meanwhile, the provider recently increased its home insurance rates by 20% in

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-seeks-seismic-level-rate-hike-as-insurance-crisis-becomes-perfect-storm/ Date: August 14, 2024

March, affecting more than 5 million Californians.

The fast-follow filing hinges on state legislation that allows insurers to request price increases more than normally permitted “in order to protect the insurer’s solvency.”

The Department of Insurance, which is charged with evaluating rate increase requests, said in a statement that it has “serious questions” about the requests and plans to investigate State Farm’s financial situation using all of its “investigatory tools.”

State Farm had a loss ratio of nearly 90% in California last year (meaning it paid out about $90 of every $100 it collected in premiums). The overall market in California had a loss ratio of 68%.

With this rate request, the company is “working toward its long-term sustainability in California,” said spokesperson Gina Morss-Fischer. “Rate changes are driven by increased costs and risk,” she said, and are necessary “to deliver on the promises the company makes every day to its customers.”

The insurer’s proposed rate increases “raise serious questions about its financial condition,” Insurance Commissioner Ricardo Lara said in a statement. “This has the potential to affect millions of California consumers and the integrity of our residential property insurance market.”

The Department’s review may take months, and could include hearings and interventions from consumer advocacy groups. The company will essentially have to prove to the department that its rate hikes are financially necessary.

The requested rate hike is “crazy high,” according to Karl Susman, president of the Susman Insurance Agency in Los Angeles and an industry pundit. But the Department will likely “have no choice but to approve it” if State Farm proves it needs this money to survive, he said. Meanwhile, consumers “are stuck,” because they don’t have good alternatives given the flight of other providers.

“It’s a perfect storm because the timing of it couldn’t be worse,” Susman said. The state government needs to move faster to adjust its rules and processes to bring other carriers back, he added. For example, earlier this year, Gov. Gavin Newsom introduced a controversial bill that could speed up the state’s review and approval process for rate hikes.

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-seeks-seismic-level-rate-hike-as-insurance-crisis-becomes-perfect-storm/ Date: August 14, 2024

“However this plays out, it makes clear that affordable homeowners insurance for California consumers may not be part of our future financial landscape,” said United Policyholders’ Laucher. “At least in the near future.”

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-seeks-seismic-level-rate-hike-as-insurance-crisis-becomes-perfect-storm/ Date: August 14, 2024