State Farm to discontinue 72,000 California home policies due to “financial health”

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Some State Farm customers will have to look elsewhere for insurance, after the state’s biggest insurer announced it would be discontinuing 72,000 policies this year.

According to the announcement this week, 30,000 homeowner policies will not be renewed. They will also be withdrawing from offering commercial apartment policies for apartment owners with the non-renewal of 42,000 policies. Renters insurance will not be impacted.

“These actions are California-specific and will occur on a rolling basis over the next year, beginning on July 3, 2024, for homeowners, rental dwelling, residential community association and business owners policies and on August 20, 2024, for commercial apartment policies,” State Farm said in a statement.

The company says that combined, the policies represent about 2% of its policy count in California.

“This combination of predictive modeling and risk scoring and aerial imagery and all the new ways that insurance companies are making their decisions, have all kind of combined with climate change to make insurance executives very skeptical that they are going to profit,” said Amy Bach, executive director of United Policyholders, a non-profit advocacy group based in San Francisco.

The California Insurance Commissioner’s office says it’s not taking the decision lightly and that the insurer will need to answer some questions from regulators about its financial state, but some experts say the cost burden of factors like climate change should be shared among stakeholders.

“I will fight to the death and say these people didn’t come to the risk, it got riskier while they were there, we need to moderate the rate increases, a lot of these people are elderly people on fixed incomes…but I

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think that people have to realize that there is a cost now to living in a forested area and you got to do everything you can to reduce risk," Bach said.

Butte County Supervisor Doug Teeter, who represents high-fire risk areas like Paradise, says the news from State Farm was disheartening, noting that his district is more hardened against fire than ever.

"Paradise, Magalia has been really altered from it's pre-fire state. There's a lot of rules about clearance and all the new homes and building standards. I just feel like they're abandoning us when we're making it like the best it probably ever could be," Teeter said.

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