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'How do I pay that?': California homeowners are feeling crushed by double-digit insurance rate hikes — here's why costs in the Golden State are skyrocketing and if there's relief in sight

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Rising insurance rates frustrating Californians © CBS News

California residents can expect sharp increases in their condo, renter, and home insurance rates in the coming months.

* State Farm recently requested permission from state regulators to raise rates by 30% for homeowners, 52% for renters, and 36% for condo owners. Allstate Insurance just received approval to raise rates by an average of 34%. The increase is hitting some residents hard.

"Because of the fires around here, they say my home is in the fire zone. So they added \$1,200 to it. So now, instead of \$900 a month, it's \$2,100. How do I pay that?" a homeowner, who asked not to be identified, asked CBS News.

While many are frustrated by the rate increases, some residents may lose their coverage entirely. * State Farm, the largest insurance provider in California, disclosed its plans to drop coverage for 72,000 houses and apartments and will not issue new policies in the state. However, not all residents will be impacted.


"It's not necessarily across the board. If you're in a higher risk area, you may see a higher percentage," Garrett Goo, who works for a State Farm Insurance branch, explained to CBS News.

California resident Glen Starkey has seen minimal increases in his rates by working to maintain his property and minimize risks. He's never filed a claim and told CBS News, "I play ball with them. I won't suffer like some of the other people who have been dropped and don't have the income."

Why California insurance rates are rising

Multiple factors are contributing to the increase in insurance rates. Climate change-related wildfires have increased, putting more homes at risk. From 2020 to 2023, the average area burned by wildfires each year in California was three times larger than the average in the 2010s.

Beyond wildfires, California is also prone to other natural disasters, such as earthquakes and flooding. These natural disasters create more risk for insurance companies, leading to higher rates. Inflation and rising construction costs are also impacting the rate increases. *


"The main problem is that homeowners insurance has not been profitable for some time in California," said David Russe, professor of Insurance and Finance at Cal State University in Northridge. 

California is taking some steps to protect its residents. Before raising rates, insurance providers must request approval from the California Department of Insurance and provide reasons for the increase. The Rate Regulation Branch then determines whether the increases are fair.

Insurance Commissioner Ricardo Lara also implemented a one-year moratorium on non-renewals in areas near recent wildfires. This protects some residents from losing their coverage after a fire. Still, it's not enough for some residents, who argue that insurance greed is driving the rate hikes.

How to reduce the impact of rising rates

There are several steps homeowners or renters can take to reduce the impact of rising insurance rates. Start by comparing rates from different providers to see if you qualify for a lower rate. Bundling your car and home insurance policies with one provider may lower your rates. Ask your provider if they offer discounts for your profession, such as firefighters, teachers, or military. You could also qualify for a discount by setting up automatic payments or paperless statements.

Next, build a healthy emergency fund and pay for repairs out of pocket, which can help you avoid filing minor claims, like say water damage from a bathroom sink leak, which can likely be repaired for a few hundred dollars. But if you're forced to file a claim to get the repairs done,  you may see your rates increase or even put you at risk for non-renewal.

If you have a low deductible (the amount you pay before insurance kicks in), consider raising it. Raising the deductible to \$5,000 or \$10,000 can drastically lower your annual premiums.

You can also take steps to secure your home. Home improvements like adding a deadbolt, updating plumbing or wiring, or adding a comprehensive sprinkler system can help reduce your insurance rates and protect you from increases.

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