

State Farm seeks an emergency insurance rate increase after LA wildfires. It's the latest blow to California's housing market

Story by Samantha Delouya, CNN

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State Farm General, California's largest insurance provider, has requested an emergency interim rate hike averaging 22% for homeowners from state officials on Monday, citing a "dire" financial situation after destructive Los Angeles wildfires last month.

In a letter to California's Commissioner of Insurance, Ricardo Lara, State Farm said it has already received more than 8,700 claims and paid over \$1 billion to customers in the wake of the wildfires.

"We know we will ultimately pay out significantly more, as these fires will collectively be the costliest in the history of the company," the letter said. State Farm said the emergency interim rate hike was necessary to "help avert a dire situation for our customers and the insurance market in the state of California."

California homeowners already face some of the highest insurance premiums in the country, as insurers have deemed a large percentage of the state to be at high risk for wildfires. That's squeezed homeowners and, in other cases, kept people out of the market entirely.

In a statement, the California Insurance Commission said State Farm General's request raises "serious questions about its financial condition" and that the agency will "urgently" respond to the request. *

State Farm General is the subsidiary of State Farm Mutual Automobile Insurance Company that operates in California. The subsidiary is the state's largest provider of fire insurance, with more than 2.8 million policies in California, according to the company.

According to the company, State Farm General's surplus available to pay out claims has been depleted, in part due to claims paid out as a result of natural disasters. *

In its letter, State Farm said it has three applications for rate increases that have yet to be approved by the state's insurance commission and that an interim increase was necessary to "preserve its claims-paying capacity."

However, Carmen Balber, the executive director at Consumer Watchdog, a consumer protection nonprofit in California, questioned whether granting a rate increase to State Farm General was necessary.

"Shame on State Farm for trying to take advantage of disaster and fill its bank accounts on the backs of recovering California homeowners," Balber said in a statement.

Insurance companies, including State Farm, have been pulling back on offering coverage in the state, forcing some homeowners to go without fire insurance or to use the state-sponsored insurance plan, called the California FAIR plan, which has higher premiums and less coverage.

In May 2023, State Farm said it would stop writing new policies in California. Last year, the company also said it wouldn't renew 30,000 homeowner policies, though that process is still ongoing.

Last month, after the Palisades and Eaton fires in Los Angeles destroyed thousands of homes, the state's insurance commission barred insurance companies from not renewing or canceling homeowners insurance policies in wildfire-affected zip codes.

CNN's Stephanie Becker contributed to reporting.

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