

## State Farm projects massive decline in policies in California as it faces financial instability

<https://www.sfchronicle.com/california/article/state-farm-insurance-19792469.php>

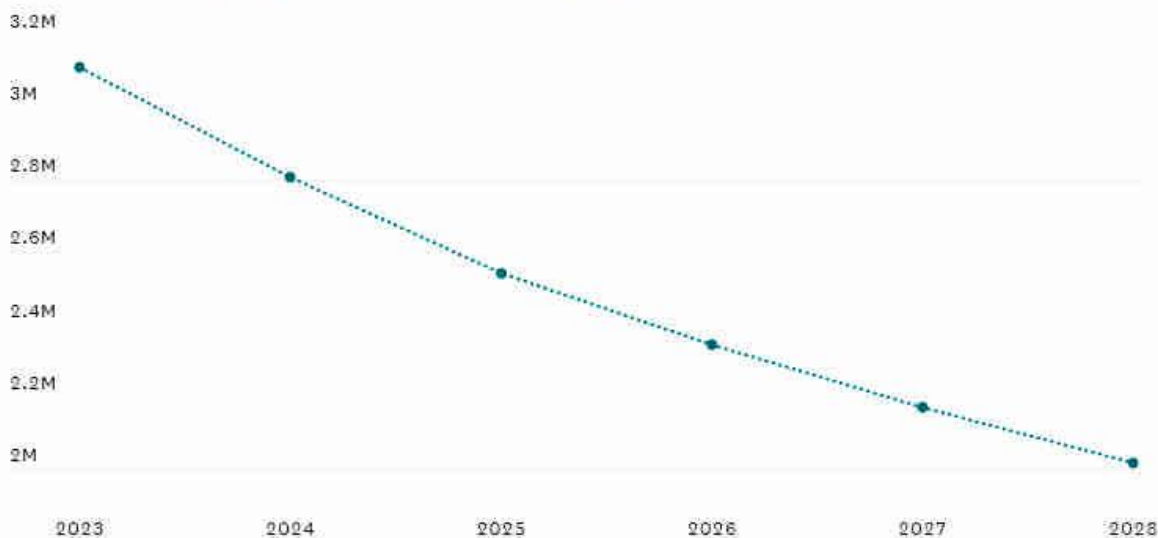
By [Megan Fan Munce](#)

State Farm projects that its total policies in California could drop by more than a million over the next five years as it [deals with financial instability](#).

If current conditions persist for State Farm General — the part of the company that covers [property insurance](#), including homeowners and business liability — its total policy count in California could decline from 3.1 million at the end of 2023 to just over 2 million by 2028, according to new filings submitted to the California Department of Insurance.

The projection assumes that State Farm General will continue to lose policies at a similar rate to what it does now, reflecting customers who choose to leave or who are canceled due to noncompliance issues such as failing to pay on time or maintain their home in a safe condition. It does not necessarily mean State Farm plans to conduct more massive nonrenewals — such as the approximately 72,000 policies that the insurer [began dropping this summer](#).

### State Farm's projected California policy count



This projection comes from filings submitted on September 10. It assumes that State Farm General maintains its moratorium on new personal and commercial property insurance policies.

Chart: Megan Fan Munce/The Chronicle • Source: State Farm General, California Department of Insurance

It also assumes that the company will continue to not offer new business and personal property insurance, as has been the case [since May 2023](#).

State Farm General is California's largest home insurer and underwrites a fifth of the California homeowners market. It offers insurance for residential and business properties, including about 1.2 million homeowners as well as commercial insurance and policies for condo homeowners associations.

Other State Farm subsidiaries in California, which are not included in the policy projection numbers, cover private auto insurance and other lines.

State Farm General is in the midst of an [unprecedented request](#) to raise its rates by 30% or more across the board to avoid potential insolvency. The company's steep policy decline projection was not tied to the outcome of its request.

In its filings, State Farm did not offer state regulators any sign of when it might begin writing new business again. A spokesperson for State Farm declined to comment further on the company's plans.

The increased funds from higher premiums would allow State Farm General to recoup about \$1.6 billion over the next five years, restoring its surplus — its funds available to pay claims — to about 2017 levels.

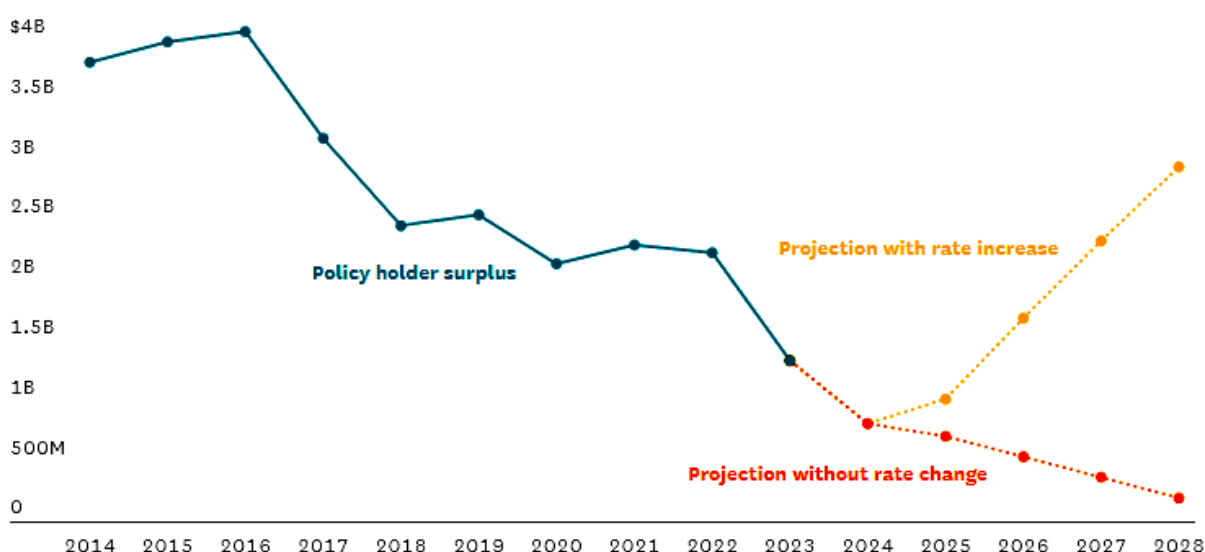
State Farm General's surplus began to decline starting after the devastating wildfires of 2017 and 2018, and in filings it told state regulators that increased liability claims and losses from catastrophes other than wildfires, such as winter storms, have kept it from regaining its financial footing.

### California home insurance crisis

- [The best way to protect yourself from the home insurance crisis is also the easiest](#)
- [See home insurance costs for every California ZIP code in first-of-its-kind map](#)
- [Map reveals ZIP codes where California's largest home insurer will drop policies](#)
- [California home insurance crisis: These are the major insurers still offering policies](#)
- [Have you struggled to get home insurance in California? Tell us your stories and questions](#)

Without an influx of funds from a rate increase, the insurer projects its surplus would continue to decline, dipping under \$200 million by 2028 — a \$2.2 billion decrease over the course of a decade. Such a precipitous decline would mean even a relatively calm wildfire season could run the insurer entirely out of money. In 2017, the [insurance industry collectively paid nearly \\$12 billion](#) in insured losses due to California wildfires.

### State Farm's projected policyholder surplus



This projection comes from filings submitted on September 10. It assumes that State Farm General maintains its moratorium on new personal and commercial property insurance policies.

Chart: Megan Fan Munce/The Chronicle • Source: State Farm General, California Department of Insurance

The threat of such a scenario is the basis for State Farm's argument as to why it needs to [rapidly raise rates across the state](#) — 30% for homeowners, 36% for condominium owners and 52% for rental homes. Earlier this year, it raised [rates an average of 20%](#) for homeowners across the state.

[State Farm](#) wrote in previous filings that it will also try to cut costs by using new technology to streamline operations. But it will not plan on decreasing executive bonuses or seek financial help from its parent company, which is the largest insurer in the U.S., according to filings.

A spokesperson for the Department of Insurance told the Chronicle earlier this month that the department is still collecting information about State Farm's financial condition as it reviews its request to increase rates. Depending on its findings, the department could approve the request as is, allow for smaller increases or find that the insurer does not need to increase its rates.

The earliest a rate increase could appear on customers' bills would be early 2025, according to filings.

State Farm has indicated that it expects some relief once Insurance Commissioner Ricardo Lara's Sustainable Insurance Strategy goes into effect. The strategy encapsulates several reforms, including giving insurers the ability to incorporate forward-looking catastrophe models on wildfire risk and the cost of reinsurance — insurance for insurers — into prices. Allstate, the only other major insurer to put a full stop on offering new home insurance policies, said in April that it plans to resume writing new policies after the regulations go into effect at the end of the year.