# State Farm seeks emergency rate increase for California homeowners after wildfires



State Farm General, California's largest home insurer, is in the process of seeking an emergency rate increase for homeowners as a direct response to the wildfires that ravaged the Los Angeles region last month. If approved, this adjustment would average a significant 22% increase for policyholders across the state. The announcement comes on the heels of a sharp rise in claims, with the insurer reporting at least 8,700 claims and payouts exceeding $1 billion to customers affected by these devastating fires. The company anticipates that total payouts could rise even further.

In a statement released by State Farm, the insurer explained the necessity of the rate hike, emphasising that "insurance will cost more for customers in California going forward because the risk is greater in California." The statement continued, clarifying that the fundamental principle of insurance is that “higher risks should pay more for insurance than lower risks.” This reflects the growing financial strain on the company as a result of the recent disasters, which have been characterised as some of the most expensive natural disasters the insurance sector has ever faced.

State Farm expressed concerns about further, potentially damaging "capital deterioration" resulting from the wildfires, which could jeopardise their ability to honour insurance claims—particularly impacting customers who rely on State Farm General insurance as collateral for their mortgages. The insurer framed the “immediate emergency interim approval of additional rate” as essential for aligning costs with risks and for rebuilding their capital.

However, not all stakeholders share State Farm's assessment of financial exigency. Consumer Watchdog, a Los Angeles-based advocacy group, contested the company's narrative, asserting that State Farm has generated underwriting profits of $1.4 billion between 2020 and 2023 and citing the parent company, State Farm Mutual, as having assets amounting to “$134 billion in the bank.” They stated, “Filling State Farm’s bank accounts shouldn’t fall on the backs of California homeowners recovering from disaster,” as reported by the Los Angeles Times.

Currently, State Farm insures approximately 1 million homeowners across California and has an additional 2.8 million active policies in the state. This move follows previous attempts at substantial rate increases; in June of last year, State Farm sought a 30% rate hike for homeowners, a 36% increase for condo owners, and a remarkable 52% for renters. Such drastic adjustments have sparked questions regarding the insurer's long-term financial stability.

Moreover, it has been reported that State Farm will not be renewing fire insurance for 1,626 customers in the Pacific Palisades area starting in 2024, representing around 70% of the company’s market share in that neighbourhood. This strategic pivot underscores a broader trend within the insurance industry, which experts believe will only exacerbate the difficulty Californians face in obtaining fire insurance in high-risk areas. Michael Coffey, an insurance defence litigator, predicts that more insurance companies may exit the state, further driving up premiums for existing policyholders.

In addition, State Farm's decision-making has led to a suspension of new policies in California since May 2023, with personal auto insurance being the sole exception. Furthermore, in a clear indication of shifting priorities amidst the wildfire crisis, the company recently announced it would not go ahead with a planned advertisement during the 2025 Super Bowl, focusing instead on supporting those affected by the Los Angeles wildfires. “Our focus is firmly on providing support to the people of Los Angeles," the company stated in correspondence with CBS MoneyWatch.

This ongoing situation continues to evolve as both State Farm and its policyholders navigate the complex implications of an escalating insurance climate in California.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.propertycasualty360.com/fcs/2025/02/18/california---state-farm-requests-emergency-interim-rate-increase/> - This article supports State Farm's request for an emergency rate increase, detailing the proposed hikes for different policy types and the necessity for such increases as per State Farm's claims.
* <https://www.insurance.ca.gov/0400-news/0100-press-releases/2025/release018-2025.cfm> - This press release from the California Department of Insurance corroborates State Farm's request for emergency rate increases and highlights Commissioner Lara's call for transparency in the rate-making process.
* <https://www.latimes.com/> - Although not directly linked, the Los Angeles Times has reported on similar issues involving insurance companies and consumer advocacy groups like Consumer Watchdog, which contests State Farm's financial narrative.
* <https://www.cbsnews.com/> - CBS MoneyWatch has covered State Farm's decision-making processes, including their focus on supporting wildfire victims, which aligns with their recent announcement about not advertising during the Super Bowl.
* <https://www.propertycasualty360.com/> - This site provides ongoing coverage of insurance industry trends, including how companies like State Farm are navigating challenges such as wildfires and financial strain.