UNLOCKING
AMERICA'S FUTURE

REPORT

California's Insurance Crisis: How Homeowners Pay More For Less While Insurers Profit

Executive Summary

California homeowners are trapped in an insurance crisis manufactured by an industry that claims financial distress while reporting billions in profits. From 2019 to 2024, home insurance premiums in California increased by 55%, while major insurers simultaneously stopped offering new policies, refused to renew hundreds of thousands of existing policies, and forced record numbers of homeowners into a last-resort insurance program that costs more than double the national average.

When devastating fires struck Los Angeles in 2025, these same insurers denied smoke damage claims that state regulators had explicitly told them were covered, with one company telling a homeowner whose property was covered in hazardous ash to "pick up a broom and sweep." Meanwhile, the property and casualty insurance industry made $164 billion from investments, proving that the crisis facing California homeowners is not driven by economic necessity but by a calculated strategy to extract maximum premiums while providing minimum coverage.

The Premium Explosion: California Homeowners Face Relentless Rate Increases

Premiums Have Skyrocketed by More Than Half in Five Years

California home insurance costs have risen at a pace that far outstrips inflation or wage growth. From 2019 to 2024, there was a 55% effective increase on California home insurance premiums. This dramatic escalation has accelerated in recent years, with the state's largest insurers implementing wave after wave of rate increases that compound upon each other, creating an affordability crisis for millions of homeowners.

The scale of these increases becomes even more alarming when examined insurer by insurer. State Farm, California's largest home insurer, was approved for a provisional 17% rate increase in 2025, pending a hearing to determine whether the new premiums are excessive. A week after this increase was approved, State Farm filed to increase rates by a further 11%. This means that State Farm policyholders could face a combined rate increase of nearly 30% in a single year, on top of the 55% increase they have already absorbed since 2019.

Under California's Proposition 103, the state Insurance Commissioner is required to approve any rate increase exceeding 7%, and the public has the right to intervene and object to proposed increases. This consumer protection measure was designed to prevent excessive rate hikes and ensure that insurance remains affordable and accessible to California residents. However, despite this regulatory framework, the state's elected insurance commissioner has repeatedly approved substantial rate increases that far exceed the 7% threshold. The insurance commissioner has the authority to reject unreasonable rate requests to protect California homeowners from unaffordable premiums, but hasn't.

New Regulations Threaten to Make an Unaffordable Situation Catastrophic

The premium crisis facing California homeowners is poised to become even more severe. New regulations introduced in late 2024 allow insurers to factor more costs into their rate calculations, which consumer advocates warn could lead to rate increases between 40% and 50%. If these predictions prove accurate, California homeowners who have already seen their premiums increase by 55% since 2019 could face another near-doubling of their insurance costs in the coming years.

The Availability Crisis: Major Insurers Abandon California Homeowners

New Policy Issuance Has Collapsed to Historic Lows

While premium increases have made home insurance increasingly unaffordable for California homeowners, an even more fundamental crisis has emerged: the near-complete withdrawal of major insurers from the California market. In 2023, the most recent year for which data is available, private insurers issued fewer than 750,000 new residential insurance policies, the lowest number since at least 2015.

The withdrawal of insurers from California has been systematic and comprehensive:

- State Farm announced that it would not accept applications for new home insurance policies in California, a decision that sent shockwaves through the real estate market given the company's status as the state's largest home insurer.
- Allstate told investors that it would not issue any new home insurance policies in California.
- Farmers Insurance capped its number of new home insurance policies at 7,000 per month, only to increase the cap to 9,500.
- USAA stopped issuing new home insurance policies in California except to homes with the absolute lowest risk of fire.
- Safeco stopped writing new policies for California homes built before 1976 with older electrical standards.

- Five other smaller insurers stopped writing new home insurance policies in California, further constricting an already tight market.

The Real Estate Market Feels the Impact

The insurance availability crisis has begun to affect California's real estate market in measurable ways. In 2025, more than a quarter of California homebuyers had difficulty getting insurance, and in one survey, one-in-six realtors had a sale canceled due to failure to secure affordable insurance.

The Non-Renewal Epidemic: Insurers Abandon Existing Policyholders

A Quarter Million Policies Canceled in Three Years

While insurers' refusal to write new policies has created a crisis for prospective homeowners, their systematic non-renewal of existing policies has created an even more immediate catastrophe for current homeowners. From 2020 to 2023, more than 250,000 home insurance policies were not renewed in California. These non-renewals represent families who had purchased homes, secured insurance, paid their premiums faithfully, and then found themselves suddenly uninsured through no fault of their own. In 2024, State Farm announced that it would not renew 30,000 California homeowners' policies.

Farmers Insurance and Safeco Join the Abandonment

State Farm was not alone in its systematic abandonment of California policyholders. In 2023, a Farmers Insurance subsidiary withdrew from California entirely, leading to its nearly 20,000 home insurance policies not being renewed. Also in 2023, Farmers Insurance stopped renewing policies on homes built before 1925, a category that includes around 30,000 buildings in San Francisco alone. In 2023, Safeco listed 30 California zip codes where it would not renew existing home insurance policies.

The FAIR Plan Crisis: Last Resort at Premium Prices

Record Numbers Forced Into the State's Backup System or Left Uninsured

As private insurers have systematically withdrawn from California, homeowners have been forced in record numbers to turn to the state's insurer of last resort. The number of homes insured by the FAIR Plan, California's insurer of last resort for home fire damage, nearly quadrupled from 2015 to 2025, reaching its highest number of policies ever. The number of FAIR Plan policies increased by nearly 40% from 2024 to 2025 alone. Some California ZIP codes have no private home insurers willing to write policies, leaving the FAIR Plan as the only option.

While it is generally assumed that homeowners whose policies are not renewed by private insurers will transition to the FAIR Plan, data suggests that only about 60% of non-renewed homeowners make this transition, with the rest likely becoming underinsured or completely uninsured. This means that of the more than 250,000 policies that were not renewed from 2020 to 2023, approximately 100,000 California homeowners may have ended up with no insurance coverage at all.

A State Program That Costs More and Covers Less

While the FAIR Plan was created by the state government, it is funded by private insurers, creating a perverse incentive structure where private insurers benefit from using the FAIR Plan as a dumping ground for policies they deem unprofitable, while the costs are ultimately passed back to all policyholders through higher premiums across the board.

The financial burden placed on FAIR Plan policyholders is severe. Because the FAIR Plan only covers fire damage, policyholders must also purchase a separate policy for other hazards, leading to combined costs more than double the national average.

The Los Angeles Fires: Insurers Deny Legitimate Claims While Homeowners Suffer

Widespread Denials Despite Clear Regulatory Guidance

When devastating fires struck Los Angeles in 2025, they exposed the insurance industry's willingness to deny legitimate claims even in the face of clear regulatory guidance. After devastating fires in Los Angeles, some homeowners whose properties were left covered in hazardous ash and debris had their claims denied by their insurers despite a state regulatory bulletin that explicitly stated that smoke damage can be a covered loss, forcing policyholders to resort to lawsuits to have their claims honored.

The scale of these denials was so extensive that it prompted mass legal action. Ten California home insurers and the California FAIR Plan were sued by policyholders for violating their contracts by refusing to properly investigate and pay for the cleanup of smoke damage following the LA fires. The callousness of some insurers' responses reached shocking levels. One woman whose home was damaged by smoke was told by her insurer to "pick up a broom and sweep."

Insurers Had Already Abandoned the Communities That Burned

The insurance crisis in the areas most affected by the Los Angeles fires did not begin when the fires struck. It had been building for years as insurers systematically withdrew from these communities. In the years leading up to the fires, home insurance non-renewals in the ZIP codes in Altadena and Pacific Palisades that would later be the most damaged by the fires significantly exceeded state and national averages.

The Profit Reality: An Industry Thriving While Claiming Distress

Record Profits While Claiming Financial Distress

Data from the National Association of Insurance Commissioners shows that the property and casualty insurance industry made a collective $25 billion in underwriting-related profits in 2024, "driven primarily by premium growth in personal lines, which offset higher losses from natural disasters." Investment income earned the industry more than $164 billion in 2024. Even in the first quarter of 2025, when insurers lost more than $1 billion on their core business due to the Los Angeles fires, the property insurance industry made $20 billion from investments, twenty times their underwriting losses.

In California, the property insurance industry had a loss ratio of 61.5% in 2024, meaning that insurers only paid $61.50 to policyholders for every $100 they collected in premiums. Meanwhile, the CEOs of the 10 largest home and auto insurers were paid a collective $119 million in 2023, despite the property and casualty insurance industry reporting overall losses on its core underwriting business that year.

Conclusion: A System Designed to Extract Profits While Denying Homeowners Protection

California's home insurance system has become a mechanism for extracting wealth from homeowners and transferring it to insurance company executives and investors. Until regulatory reforms prioritize policyholder protection over industry profits, California homeowners will continue to face an insurance system that often fails to adequately protect them from catastrophic loss.

What California homeowners face:

- Premium increases of 55% since 2019, with major insurers set to implement additional double-digit rate hikes in 2025

- The fewest new policies issued since at least 2015, with major insurers refusing to write new coverage
- More than 250,000 existing policies canceled from 2020 to 2023
- Forced reliance on a last-resort insurance program that only covers fire damage – requiring a separate policy for other hazards at a combined cost more than double the national average – and illegally denied smoke damage claims for nearly a decade
- Widespread denial of legitimate claims following the Los Angeles fires, with one insurer telling a homeowner to "pick up a broom and sweep" hazardous ash herself

What insurance companies are doing:

- Reporting $25 billion in underwriting profits in 2024 and earning more than $164 billion from investment income
- Maintaining a loss ratio of just 61.5% in California, keeping nearly 40% of premiums collected before accounting for investment income
- Paying top executives a collective $119 million in 2023, even while claiming financial distress and abandoning hundreds of thousands of policyholders

State insurance commissioners have approved rate increases and allowed insurers to abandon policyholders with minimal consequences, raising serious questions about whose interests they are protecting.