



AS IT IS

## Fewer Companies Offering Homeowners Fire Coverage in California

June 08, 2023

**Two large insurance companies say they will not offer new insurance policies in California because of fire risk and high costs.**

Two large companies say they are pulling back from providing **insurance coverage** for homes in the U.S. state of California.

The companies said increasing wildfire risk and building costs have caused them to stop writing new insurance policies in America's most populous state.

Last week, State Farm announced it would stop accepting new policies for business and personal property and casualty insurance. State Farm blamed inflation, a difficult reinsurance market and "growing catastrophe exposure." The decision did not affect personal car insurance.

"We take seriously our responsibility to manage risk," State Farm said. "It's necessary to take these actions now to improve the company's financial strength."

Allstate is the other major insurance company pulling back. The company announced in November that it would suspend new homeowners', condominium, and business insurance policies in California. It said the move was to protect current customers.

"The cost to insure new home customers in California is far higher than the price they would pay for policies due to wildfires, higher costs for repairing homes and higher reinsurance premiums," Allstate said in a statement.

Reinsurance is a method for reducing financial risk in the insurance industry.

The problems in California's insurance market are similar to ones across the country. Insurance companies are increasing prices, limiting coverage, or pulling out completely from areas likely to have wildfires or other natural disasters.

Florida and Louisiana have struggled to keep healthy insurance markets following major damage from hurricanes.

Costs are rising in Colorado because of wildfire threats. In Oregon, state forestry officials withdrew a map of wildfire risk. Homeowners noted the map would cause their insurance costs to increase sharply.

California has experienced large fires that have been the costliest in state history. Some California homeowners already are going without insurance.

A state-run insurance program could face pressure as enrollments increase. The California Fair Access to Insurance Requirements Plan provides basic fire insurance coverage for properties in risky areas that companies will not insure. Enrollment increased in recent years to 272,846 homes in 2022.

"We just don't have a stable insurance market," said state Senator Bill Dodd. He said many people in the area he represents are going without insurance.

The Insurance Information Institute, an industry group, said California has more than 1.2 million homes with wildfire risk. That is far more than any other state in the country.

"The number of acres burned in California has grown steadily in recent years, as more people are moving into fire-prone areas of the state," the institute said in a statement. "More homes in harm's way...leads to increased insured losses," the statement added.

I'm John Russell.

*Michael R. Blood reported on this story for the Associated Press. John Russell adapted it for VOA Learning English.*

## Words in This Story

**insurance** – *n.* an agreement in which a person makes payments to a company and the company promises to pay money if something (such as a house) is damaged

**coverage** – *n.* the activity of reporting about an event or subject in newspapers, on television news programs, etc.

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