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California Insurance Chief Backs 22% State Farm Rate Hike



An analysis by the University of California at Los Angeles estimates the Palisades and Eaton fires caused \$45 billion in insured losses. *Photographer: Roger Kisby/Bloomberg*

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California Insurance Commissioner Ricardo Lara said he plans to approve a 22% emergency rate increase for State Farm policyholders, pending a public hearing next month, in a move aimed at stabilizing the state's insurance market after the Los Angeles area's devastating wildfires.

The provisionally approved rate hike would provide financial relief to State Farm California subsidiary, which has said it needs to shore up confidence with solver regulators and ratings agencies. In the aftermath of January's Palisades and Eaton blazes, the insurer has already paid out more than \$2 billion in claims.

Lara said the rate increase is necessary to address the state's years-long insurance crisis, exacerbated by worsening wildfires that have led major insurers to withdraw or limit coverage in California.

The commissioner said he intends to approve the company's request for a 22% increase on homeowners' policies and a 15% hike for renters and condominium coverage if the insurer can justify the need during an April 8 public hearing before an administrative law judge. If approved, the new rates would take effect June 1.

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"The role of insurance commissioner involves balancing a stable and sustainable insurance market that serves consumers with effective oversight," Lara said in a statement. "To ensure long-term choices for Californians, I had to make an unprecedented decision in the short term."

The California Department of Insurance also recommended that State Farm's California subsidiary seek a \$500 million cash infusion from its parent company "restore financial stability," while calling on the company to halt non-renewals of policies, according to the statement.

State Farm called for greater certainty in the state's insurance market.

"The provisional nature of today's decision does not improve that certainty but a step in the right direction," the company said in a statement. "We are moving forward with implementing this provisionally approved rate and will continue to work with the California Department of Insurance for a sustainable future for the California insurance market."

State Farm's request has been met with skepticism from Consumer Watchdog, an advocacy group that's contesting the insurer's rate hike request. The group has said the parent company has ample reserves and a strong credit rating to shore up the California unit, State Farm General Insurance Co.

An analysis by the University of California at Los Angeles estimates the Palisades and Eaton fires, which killed at least 29 people and destroyed more than 16,000 structures, caused \$45 billion in insured losses. State Farm, which has the largest share of the property and casualty insurance market in California, is expected to account for \$7.6 billion of those claims.

– *With assistance from John Gittelsohn*

(Updates with State Farm comment in seventh paragraph.)

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