The Current Landscape of California's Insurance Industry

J.E. Insurance Agency

Peter Sen

Been in the insurance industry since 1999

California License # 0B59578 / National Producer # 2628217

Built the Property & Casualty Department for GPIA

My partner and I started our own independent insurance agency in 2023

Currently we are negotiating to purchase a Farmers Insurance agency

Overview

- What is the state of the insurance industry in California?
- How did we come to this point?
- Will the California Fair Plan survive?
- Insurance premium: how much higher will it go?
- Will State Farm, Allstate, and other insurance companies leave California?

Rising Costs of Insurance Premium

The insurance costs to all resident of California will continue to increase, but will likely escalate in certain areas and locations.

Escalating vs Increasing!

Escalating = negative (out of control)

Increasing = manageable (in control)

California - Five Months Fires Record - 2025

245,933	1,848	73,952	30	16,253
Total Emergency Responses	**Wildfires**	**Acres Burned**	**Fatalities:** Preliminary pending coroner confirmation	**Structures Destroyed**

Will California Fair Plan Survive?

The California Fair Plan was created as the insurance of “Last Resort”

But now the Fair Plan has become the “Only Insurance Available” because of the policy implemented by the Dept of Insurance. For instance, the DOI politically controls the premiums that insurers can charge. It takes 2-3 years for the DOI to give approval on a rates increase requests from preferred insurers.

Homeowners Insurance

As an insurance agent and broker, I foresee homeowners insurance to continue to rise due to these reasons:

1/ Losses sustained by the insurance companies for the past 15 to 20 years

2/ The growth of population and the building of houses in Fire Hazard areas

Homeowners Insurance (cont.)

As an insurance agent and broker, I foresee homeowners insurance to continue to rise due to these reasons:

3/ Squeezing of the Fire Hazard boundary by the insurers

4/ Politics, pandering to the general public

5/ Material and Labor Costs does affect insurance premium

Surplus Lines Insurance Companies

More commercial apartment property owners have to turn to Surplus Lines carriers for coverage. They are paying 5X more in premiums than what they were paying for the past 15 to 20 years.

State Farm raising rates by 17%

Allstate raising rates by 34%

Farmers raising rates by 17%

Liberty Mutual raising rates by 13%

Type of Properties that are underwritten by Surplus Lines

Surplus carriers underwrite anything that Preferred insurers, i.e. Farmers, Allstate, State Farm, Nationwide, Travelers, etc. are no longer interested in underwriting.

Apartments, Mobile Home Parks, Office Buildings, Motels & Hotels, Commercial Condos.

Warehouses, Auto Repair Body Shops, Gas Stations, Self-Storage facilities, etc.

Ave Motel Ins. premium = $40k - $50k

Property Premiums!

The premiums are calculated based on location of the property, the zip codes, the sq ft of the property, age of the property, and for commercial property, the rebuilt costs (ACV vs RC).

RC = Replacement Costs

ACV = Actual Costs Value

FYI: In a commercial property, high deductibles will not give that much of a discount as compared to a residential property.

Ex: $5k Ded to $10k only saves on avg $1,000 in premiums

Who are the Surplus Line Insurers?

Surplus line insurers are owned by the same insurance companies that operate in the State of California.

For instance,

Gen Star Insurer is owned by the Berkshire Hathaway Group.

Westercher Insurance is owned by Chubb Insurance Group.

Insurance companies love surplus line carriers because the premiums charged are not regulated by the Dept of Insurance.

Surplus Line Insurers - Are They Viable?

Yes, surplus line carriers are viable, because California Dept of Insurance makes sure that all the surplus carriers have the necessary reserves to pay out claims. They must have the necessary capitals and assets in order to underwrite coverage in the State of California.

Must be solvent and viable to payout claims in case of losses claimed by the insured.

Surplus Lines - Inspection of Property

After a policy is issued thru a surplus lines carriers, they will schedule an inspection of the property by an inspection team designated by the carrier. An inspection report will be submitted to the insurer with recommendation especially in these areas:

1/ Electrical or wiring required updates

2/ Railing improvement if the property is more than 1 floor

3/ Cleanliness and tidiness of the property to avoid any potential of hazards

4/ Driveway pavement required if there are multiple cracks, sinking and/or off-balance evenness

Why the Rise in Premiums?!

The insurance companies are going through an adjustment period here in California and other states.

The material costs have risen exponentially after the Pandemic.

Building material costs for habitational property, i.e. homes and condos.

Raw material costs for auto parts and appliances.

Geopolitical uncertainties, inflation, and tariffs.

Political agenda from State, Municipal, County, City, and Local authorities.

What is the Strategy for Captive Insurers?

For captive insurers i.e. Farmers, State Farm, Allstate, AAA, etc.

In this type of environment, they see it as an opportunity to expand their market share.

1/ Captive insurers are doing in-house cleaning: getting rid of old and unproductive agency.

2/ Open up the markets, i.e. Farmers is extending the underwriting guidelines on commercial buildings from 30 yrs to 50 yrs.

3/ Underwrite new markets i.e. Self-Storage Facilities.

Thank you!

Questions?

Contact

Peter Sen, Agent/Broker

J.E. Insurance Agency

Cell: 626.610.8020

Farmers Email: psen@farmersagent.com

Personal Email: senpeter1967@gmail.com