MICHIGAN ROSS

WDI PUBLISHING
An Initiative of the William Davidson Institute at the University of Michigan

Andrew Hoffman
Elizabeth Casey
Ella Kaplan
Rebecca Koch
Jack Lehman
Ayeyi Asamoah Manu

case 1-328-456
August 1, 2025

State Farm: Climate Change, Homeowners Insurance and Being a Good Neighbor

Jake S. Tate,[i] State Farm's national liaison for state regulatory affairs, sat in his office at the company's headquarters in Bloomington, Illinois. It was early September 2024, and he was reviewing a report on California's wildfire risks. He worked closely with state-level teams to ensure that State Farm's policies and strategies were aligned with local regulations and conditions. He gazed at the framed photo on his desk, showing a smiling agent helping a family outside their newly rebuilt home, with the tagline "Like a good neighbor, State Farm is there" prominently displayed. Tate had been tasked with preparing a crucial presentation for the State Farm Board of Directors about the future of the insurance market in California. The meeting was scheduled for the end of September 2024 and the board expected a recommendation on whether State Farm should continue offering coverage in high-risk wildfire areas. The insurer had already received California approval for a rate increase in March 2024, and requested another rate increase in June 2024.[1] Pending the review, and approval from the California Department of Insurance, the company needed to determine if a rate increase would be enough to maintain profitability.

The California insurance market dilemma weighed heavily on Tate. On one hand, State Farm had a long-standing commitment to being there for its customers, especially in times of crisis. The company had built its reputation on being always ready to help. Reducing coverage or raising rates would leave numerous households under-insured. Halting new home insurance sales or non-renewing existing policies in high-risk areas would leave numerous policyholders even more vulnerable. On the other hand, staying in the California market in its present capacity, even with significant premium increases, might not guarantee financial stability and could jeopardize State Farm's ability to serve customers nationwide.

[i] Jake S. Tate is a fictional character.

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.