

On September 7, 2024 we e-mailed a release announcing the candidacy of five new Townhomes' homeowners to replace (in total) the existing four Board of Directors. Four of our five are from the board in 2020 through 2021 and the fifth is a resident of over 20 years. Our claim of potential insurance coverage was based on this press release by the State of California. Unfortunately, we are not able to count on their word. The CA Fair Plan offering \$51M coverage is now many months away. We are still working on "full coverage" at a firm savings. **PLEASE BE AWARE: YOU WILL BE FACING THE SAME ASSESSMENT AMOUNT OR EVEN MORE ON OCT 01, 2025.**

Commissioner Lara continues bold insurance reform agenda with landmark FAIR Plan modernization

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Commissioner Lara continues bold insurance reform agenda with landmark FAIR Plan modernization

Extraordinary action aims to break the cycle of insurance unavailability and enhance consumer protections

LOS ANGELES — Insurance Commissioner Ricardo Lara today announced a breakthrough agreement to modernize the California FAIR Plan Association (FAIR Plan), the state's "insurer of last resort," as part of his ongoing efforts to stabilize the California insurance market and address the insurance crisis. The move is part of his [Sustainable Insurance Strategy](#), the largest insurance reform since voters passed Proposition 103 in 1988.

"Modernizing the FAIR Plan is a crucial step in our strategy to stabilize California's insurance market," said Commissioner Lara. "It's critical for Californians to understand that a growing FAIR Plan contributes to our insurance crisis. By strengthening the FAIR Plan while providing financial stability and solvency protections, we are creating long-term security for consumers, homeowners, and businesses across the state that is long overdue."

While the FAIR Plan is a vital safety net, its expansion creates a negative feedback loop. When the FAIR Plan takes on more customers, it causes traditional insurance companies to withdraw from certain areas, further increasing dependence on the FAIR Plan. A [recent news story](#) called the growing FAIR Plan a "hidden crisis" because, partially due to fear of possible major assessments by the FAIR Plan, several insurance companies are further withdrawing from the California market by pausing writing new policies or reducing their market share in at-risk areas. This cycle can ultimately weaken the FAIR Plan's financial stability and limit consumer choice.

Commissioner Lara's unprecedented agreement with the FAIR Plan today is targeted at homeowners and condo associations that need expanded coverage, as well as farms, builders, and businesses with multiple buildings in the same location. This will help "break the cycle" by strengthening the FAIR Plan as he pursues other reforms to safeguard the integrity of the insurance market while holding true to the spirit and intent of Prop. 103.

Specifically, the FAIR Plan has agreed in a binding legal stipulation to issue a new Plan of Operation within 30 days that will implement Commissioner Lara's plan to offer homeowners, consumers, and business owners:

- **Expanded Coverage:** Establishing a new "high-value" commercial coverage option with limits up to \$20 million per building, along with past increases for residential policies.
- **Financial Stability:** Creating a sound financial formula to protect policyholders in extreme loss scenarios.
- **Improved Transparency:** Requiring increased public reporting on FAIR Plan activity and customer service metrics.

A stable and solvent FAIR Plan — established more than 50 years ago as the state's insurer of last resort — provides important certainty for insurance consumers who otherwise cannot find insurance coverage in the traditional or surplus lines markets. Modernizing the FAIR Plan is critical to ensure a reliable, yet temporary, safety net that is there when consumers need it.

"Ultimately, we want to reduce the number of homeowners and businesses on the FAIR Plan by strengthening the market overall. My action today is intended to close coverage gaps in the short term for many homeowners' associations, housing construction projects, and larger businesses, so they aren't forced to pay even higher costs

or go without insurance," concluded Commissioner Lara. "Requiring the FAIR Plan to take concrete steps to protect policyholders in an extreme disaster will keep it an effective safety net for homeowners and businesses while my reforms to fix the state's overall insurance market take effect."

What others are saying:

Commissioner Lara's agreement with the FAIR Plan has broad support from groups representing homeowners' associations, supportive housing providers, farmers and ranchers, and builders, among many others.

"The California Farm Bureau applauds Commissioner Lara's efforts to modernize the FAIR Plan. Our farmers and ranchers have been disproportionately affected by the limitations of the current system, especially in high-risk wildfire areas," said **California Farm Bureau President Shannon Douglass**. "The increased coverage limits and enhanced financial stability measures will provide much-needed security for our agricultural community, ensuring that farms can recover and thrive after disasters."

"The modernization of the FAIR Plan is a significant and much-needed step forward. As an organization representing community associations, we have long faced challenges in securing adequate insurance coverage due to outdated limits and lack of options," said **Kieran Purcell, Chair of the Community Associations Institute – California Legislative Action Committee**. "Commissioner Lara's initiative to increase coverage limits and improve financial oversight helps our communities find the protection they need against potential catastrophes. This reform is an important step toward providing stability and peace of mind to homeowners and associations alike, making it a long overdue but very welcome change."

"The California Building Industry Association fully supports the modernization of the FAIR Plan. For builders and developers, securing adequate insurance coverage has been a persistent challenge throughout the state, particularly in high-risk areas," said **Dan Dunmoyer, President and CEO of the California Building Industry Association**. "Commissioner Lara's initiative to increase coverage limits and enhance financial oversight provides the necessary assurance that our projects and investments are protected. This reform is not only beneficial but long overdue, paving the way for continued growth and development in a more secure and predictable insurance market."

"FAIR Plan is often the only insurance available for the winegrape growing community. Our industry has been severely impacted by wildfires and the lack of adequate insurance coverage has hindered growers all over California," said **Michael Miiller, Director of Government Relations for the California Association of Winegrape Growers**. "The Department of Insurance and FAIR Plan coming together for these improvements is crucial to ensuring that insurance remains available in the marketplace."

"The California Association of REALTORS® (C.A.R.) supports the Commissioner's work to update the FAIR Plan," said **C.A.R. President Melanie Barker**. "REALTORS® work every day with clients struggling to get the insurance they need, and the actions of the Insurance Commissioner to increase access to insurance coverage options is vital."

"For us, it's all about the kids. Today's action by Commissioner Lara allows us to keep our focus on ensuring young lives in housing programs are safeguarded from unforeseen setbacks, providing stability and security as they build their futures," said **Mike Stillson, Board Chair for California Collaboration for Youth**. "Thanks to Commissioner Lara's modernization of the FAIR Plan the state will be taking a step forward in ensuring the proper insurance coverage for all of our communities."

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Media Notes:

⑥ [View the agreement between the Department of Insurance and the FAIR Plan \(Stipulation and Order No. #2024-1\)](#)

Background and additional details:

The California FAIR Plan

The California Fair Access to Insurance Requirements (FAIR) Plan is a private association managed by California's private insurance companies. These insurance companies collectively cooperate and contribute to the FAIR Plan, sharing the risk associated with covering high-risk properties.

While not a government-sponsored program, the FAIR Plan is regulated by the California Department of Insurance to ensure it operates in compliance with state regulations and protects consumers' interests.

New "high-value" commercial coverage option to help close coverage gaps released July 26, 2024

Under the agreement, the FAIR Plan will issue a new Plan of Operation within 30 days creating a new "high-value" commercial coverage option with coverage limits up to \$20 million per building, with a total maximum limit of \$100 million per location, for larger housing developments and businesses. This builds on recent actions Commissioner Lara has taken to bring the FAIR Plan's coverage up to today's standards.

Prior to Commissioner Lara taking office in 2019, the FAIR Plan's limits had not been adjusted in more than two decades to keep pace with increasing property values and coverage needs. In 2019, the Commissioner ordered the FAIR Plan to double its coverage limit for residential properties to \$3 million to account for increased home values and building costs. In 2023, Commissioner Lara reached an agreement with the FAIR Plan to increase its standard commercial coverage limit to \$20 million per location. The Commissioner also held an investigatory hearing into the FAIR Plan's financial condition making recommendations for structural improvements.

Modernizing FAIR Plan's financial structure to address a vicious cycle of unavailability

The new agreement creates a sound financial formula to protect policyholders in the event of an extreme loss scenario. Over the last several years, the FAIR Plan has become the first and, in some geographical areas of the state, the only insurer available, according to Department of Insurance data. Modernizing the FAIR Plan's financial structure is needed because, in comparison to traditional insurance companies that manage their risk by balancing high-, medium-, and low-risk properties, the FAIR Plan since its inception must take all comers regardless of wildfire exposure, thus concentrating many high-risk properties in one pool.

A major wildfire in one geographical area concentrated with FAIR Plan-insured properties could overwhelm the FAIR Plan's reserves and its capacity to quickly and fully pay consumers' claims. While still a relatively small amount of policies compared to the traditional market, FAIR Plan participation is a leading indicator of the overall health of the state's insurance market.

In the event of a catastrophic loss, the FAIR Plan may "assess" its member insurance companies in order to make sure consumer claims are paid — something that has not happened in 30 years despite multiple major wildfires. However, an exponentially large FAIR Plan assessment or series of assessments — especially combined with large catastrophic losses simultaneously in the normal insurance market — could lead to an escalating spiral of uncertainty and negative consequences for all California policyholders.

Protecting consumers in an extreme worst-case scenario

Today's agreement protects consumers by ensuring that in an extreme worst-case scenario that has not happened in 30 years, excess FAIR Plan losses cannot be completely assessed to non-FAIR Plan policyholders. Under current rules, insurance companies could ask for approval to pass all the costs on to consumers. Under the agreement, when all FAIR Plan reserve funds are exhausted and reinsurance and catastrophic bonds have been triggered, insurance companies will be required to pay half the cost of losses up to \$2 billion in total FAIR Plan claims — \$1 billion for residential claims and \$1 billion for commercial claims. The other half could be recouped from policyholders — only with the prior approval of the Insurance Commissioner.

For the new high value commercial coverage program of \$20 million per building, insurance companies may assess an upfront "temporary supplemental fee" to ensure the FAIR Plan has enough funding available for any catastrophic losses, but only for commercial policyholders in that program and only with the Commissioner's prior approval. Any excess claim costs would be paid by high-value commercial policyholders, not by small businesses.

This sounder financial sustainability structure is necessary to safeguard the FAIR Plan's long-term solvency and is similar to other existing California insurance safety net mechanisms in place today where insurers may assess policyholders in the event of an insurer insolvency such as the California Insurance Guarantee Association, the California Life and Health Insurance Guarantee Association, and the California Earthquake Authority.

Improving FAIR Plan reporting and oversight

Commissioner Lara's agreement with the FAIR Plan also improves oversight and reporting to help ensure that FAIR Plan policyholders are brought into the traditional insurance market. New transparency requirements for the FAIR Plan include posting data on the number of residential and commercial policies written in high-wildfire risk areas and progress reports on claims-handling practices and customer service. The data must be shared with the Insurance Commissioner, the Governor, and State Legislature as well as publicly posted on its Internet website.

Commissioner Lara's past actions to improve the FAIR Plan

Since taking office in 2019, Commissioner Lara has made improving the FAIR Plan a top priority. Over the past several years, the Department of Insurance has worked on reports and audits to make the FAIR Plan more responsive to consumers.

After being subject to Department operational and financial surveillance exams, the FAIR Plan is focused on improvements such as strengthening control over its informational systems, making appropriate changes to operational processes, improving customer service and response times by hiring more staff, and implementing more reasonable and clearer eligibility guidelines for residential dwelling policies.

Past actions taken by Commissioner Lara include:

- **Higher coverage limits:** \$3 million for residential policyholders and \$20 million for commercial policies per location.
- **Safer from Wildfires discounts:** Residential and commercial policyholders can obtain a discount of up to 20 percent on the wildfire portion of their FAIR Plan premium for hardening their properties.
- **Improved payment options:** Allowing monthly payments without a fee and credit card payments with a fee that covers processing cost only.
- **Agricultural coverage:** Farm buildings are now included under a new law that Commissioner Lara strongly supported and successfully implemented.

Led by Insurance Commissioner Ricardo Lara, the California Department of Insurance is the consumer protection agency for the nation's largest insurance marketplace and safeguards all of the state's consumers by fairly regulating the insurance industry. Under the Commissioner's direction, the Department uses its authority to protect Californians from insurance rates that are excessive, inadequate, or unfairly discriminatory, oversee insurer solvency to pay claims, set standards for agents and broker licensing, perform market conduct reviews of insurance companies, resolve consumer complaints, and investigate and prosecute insurance fraud. Consumers are urged to call 1-800-927-4357 with any questions or contact us at www.insurance.ca.gov via webform or online chat. Non-media inquiries should be directed to the Consumer Hotline at 800-927-4357. Teletypewriter (TTY), please dial 800-482-4833.

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