



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

June 17, 2021

The Honorable Tom Daly  
Chair, Assembly Insurance Committee  
State Capitol, Room 369  
Sacramento, CA 95814

**RE: Senate Bill 11 (Rubio), as Amended June 14, 2021 – SUPPORT**

Dear Assembly Member Daly,

I respectfully request your **SUPPORT** of **Senate Bill 11**, authored by Senator Susan Rubio, when it is heard before your committee. This bill more narrowly tailors the statutory exclusions to the definition of “basic property insurance” in existing statute governing the California FAIR Plan Association, to make clear that “basic property insurance” does not include insurance on automobile risks, commercial agricultural commodities or livestock, or equipment used to cultivate or transport agricultural commodities or livestock for the purposes of writing a FAIR Plan policy. As a result of this clarification, the FAIR Plan will be able to offer “brick and mortar” coverage to farmers, ranchers, and vintners, who were previously denied the ability to obtain commercial insurance through the FAIR Plan. **SB 11** also requires the FAIR Plan to file a new or amended rate application with the California Department of Insurance (Department), as specified.

California’s farmers, ranchers, and vintners live and work in more rural, outlying areas that may be especially vulnerable to wildfires. Wildfires are unfortunately becoming more and more commonplace in California, and the state’s fire season is starting earlier and ending later each year. Climate change has resulted in warmer spring and summer temperatures, reduced snowpack, and earlier spring snowmelt which creates longer and more intense dry seasons that increase moisture stress on vegetation and make forests more susceptible to severe wildfire. California has already faced nearly twice the acreage burned this year compared to last year, with 2,733 fires burning 12,540 acres from January 1, 2021 through June 6, 2021, compared to January 1, 2020 through June 6, 2020, when 6,353 acres were burned in 2,025 fires.<sup>1</sup>

As we have seen in the past, these wildfires devastate communities, leaving homeowners and businesses behind to deal with the aftermath, which often includes the inability to find available and affordable insurance coverage in the admitted market. Created by the Governor and Legislature, the FAIR Plan is an association comprised of all insurance companies authorized to transact basic property insurance in California. It was established in 1968 following the urban disturbances and brush fires of the 1960s, and has become the state’s “insurer of last resort” providing access to fire coverage for California homeowners and commercial businesses unable to obtain it from a traditional insurance carrier. Over time, as the FAIR Plan has evolved to meet the state’s changing dynamics and needs, so California’s wildfire landscape has changed too, leading to increased catastrophic events and decreased coverage availability and affordability for both homeowners and commercial policyholders, including wineries, ranches, and farms.

After meeting with many agribusiness owners across the state, my staff and I were better able to understand the magnitude of the decreased availability coverage issue facing California’s farmers, ranchers, and vintners in the private market. When the voluntary insurance market is unable to provide basic property insurance coverage to consumers, those consumers should be able to turn to the FAIR Plan. Yet current law prohibits the FAIR Plan from providing insurance coverage for “farm risks.” This language may be interpreted to include not only crops

<sup>1</sup> <https://www.cnn.com/2021/06/14/weather/california-arizona-wildfires/index.html>

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and livestock but also various real and personal property structures at wineries, ranches, and farms, such as the family home, the barns for the farm animals, the feed barn, the buildings that hold the farm equipment, the crop storage units, walls and fences, wine tasting patios, and workshops for repair or service, to name several such structures. As a result, numerous consumers who are being denied basic property insurance coverage in the private market have also been unable to obtain such coverage from the FAIR Plan for their various structures, including the home, barns, outbuildings, etc., under existing law.

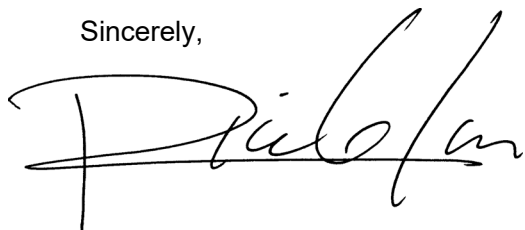
**SB 11** removes the existing statutory exclusion for “farm risks” and replaces it with “commercial agricultural commodities or livestock, or equipment used to cultivate or transport agricultural commodities or livestock.” This clarification means that farmers, ranchers, and vintners will be able to purchase necessary basic property insurance for their real and personal property from the FAIR Plan. At the same time, the FAIR Plan will still be able to exclude coverage of commercial crops and livestock which is available through the Federal Crop Insurance Program (such as the commercially produced wine grapes, eggs, milk, etc.) as outside the definition of “basic property insurance.”

This bill also requires the FAIR Plan to file a new or amended rate application within 120 days following the bill’s operative date, as specified, with the new exclusions. In the past, the Department has identified issues with the FAIR Plan’s submitted filings that have necessitated additional information and review. If the Department receives a complete and efficient filing from the FAIR Plan, new commercial coverages could be available quickly to consumers. My staff continues to meet with and be available to assist the FAIR Plan with this important rate application and to ensure those within the agricultural community who need coverage can get it so we can all help ensure businesses across our state can remain in business.

This bill is essential to expanding the availability of basic property insurance coverage to farmers, ranchers, and vintners in California. I strongly believe these changes are necessary and important to fulfill one of the core purposes underlying the original establishment of the FAIR Plan -- to ensure the availability of basic property insurance in California to all Californians. My staff and I have met with many of these Californians and continue to hear their concerns; we believe **SB 11** will help provide important support to this vital part of California’s economy. In addition, I want to also thank your staff and the bill’s sponsor – the California Farm Bureau Federation – for extensively working with us on subsequent amendments to make sure businesses get what they need out of this bill and that it is as strong as possible to protect consumers.

For these reasons, I respectfully request your “**AYE**” vote on **Senate Bill 11**. Please contact me or Michael Martinez, Senior Deputy Commissioner and Legislative Director, at (916) 492-3565 if you have any questions. Thank you for your thoughtful consideration on this important measure.

Sincerely,



**RICARDO LARA**  
Insurance Commissioner

cc: The Honorable Susan Rubio  
The Honorable Chad Mayes, Vice Chair, Assembly Committee on Insurance  
Members, Assembly Committee on Insurance  
Kathleen O’Malley, Chief Consultant, Assembly Committee on Insurance  
Bill Lewis, Consultant, Assembly Republican Caucus  
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor  
Charlene Manning, Finance Budget Analyst, Department of Finance