

1 Operation to increase the available coverage limits that the FAIR Plan offers for Division I CPP coverage,
2 and that doing so will fulfill the FAIR Plan’s purposes by keeping pace with rising commercial property
3 values to adequately protect Californians from risk of loss due to peril(s) covered by the FAIR Plan’s
4 policies;

5 WHEREAS, the Commissioner has determined that the FAIR Plan should offer, under Division I, a
6 Commercial Property Insurance Policy with combined coverage limits of \$20 million per structure for
7 building coverage, business personal property coverage, and other associated coverages pertaining to
8 each building located at one insured property address, with a total aggregate limit of \$100 million per
9 Location, as defined in the Plan.

10 WHEREAS, the Commissioner has determined that the FAIR Plan must offer combined
11 commercial property limits of up to \$100 million per Location for three years, which will ensure consumers
12 have access to higher commercial limits until the normal market starts offering higher limit commercial
13 policies;

14 WHEREAS, the Commissioner has determined that the FAIR Plan must submit appropriate rate,
15 rule, and/or form filings to the Commissioner for prior review and approval to evaluate potential rate impact
16 and determine appropriate rates subject to California Insurance Code section 10100.2;

17 WHEREAS, the Commissioner has determined that, to implement limits of up to \$20 million per
18 structure and up \$100 million per Location in the aggregate for commercial property and related coverages
19 written under Division I, and to help ensure the Plan has funds available to pay increased risk exposure
20 related to higher limits, the FAIR Plan may submit rate, rule, and/or form filings that include a request to
21 collect, at new policy inception or at any renewal, a temporary supplemental fee from policyholders that
22 purchase a FAIR Plan policy with limits above \$20 million per Location;

23 WHEREAS, the Commissioner has determined that, to implement limits of up to \$20 million per
24 structure and up \$100 million per Location in the aggregate for commercial property and related coverages
25 written under Division I, and to help ensure the Plan has funds available to pay increased risk exposure
26 related to higher limits, the FAIR Plan may submit subsequent applications to collect additional temporary
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1 supplemental fees according to the Department's instructions for rule-change applications in effect at the
2 time the application is made;

3 WHEREAS, the Commissioner has determined that, in order assure the stability of the property
4 insurance market and the availability of basic property insurance in the extremely unlikely event the FAIR
5 Plan is authorized to levy assessments, in one calendar year, of up to \$1 billion on member insurers that
6 write residential property insurance policies with available limits of \$3 million per Location or less, or up to
7 \$1 billion to member insurers that write commercial property insurance policies with available limits of \$20
8 million per Location or less, or up to a total of \$2 billion to member insurers that write residential and
9 commercial property policies with available limits of \$20 million per Location or less, the FAIR Plan's
10 member insurers may request the Commissioner's prior approval to collect temporary supplemental fees
11 from their own policyholders in order to recoup up to 50% of amounts assessed;

12 WHEREAS, the Commissioner has determined that, in order assure the stability of the property
13 insurance market and the availability of basic property insurance in the extremely unlikely event the FAIR
14 Plan is authorized to levy assessments, in one calendar year, that exceed \$1 billion on member insurers
15 that write residential property insurance policies with available limits of up to \$3 million per Location or
16 less, or \$1 billion to member insurers that write commercial property insurance policies with available limits
17 of \$20 million per Location or less, or \$2 billion to member insurers that write residential and commercial
18 property policies with available limits of \$20 million per Location or less, the FAIR Plan's member insurers
19 may request the Commissioner's prior approval to collect temporary supplemental fees from their own
20 policyholders in order to recoup all amounts assessed;

21 WHEREAS, the Commissioner has determined that, in the extremely unlikely event the FAIR Plan
22 is authorized to levy assessments on member insurers that write commercial property insurance policies
23 with available limits of \$20 million per structure and \$100 million per Location in the aggregate ("High
24 Value Commercial Property Policies"), those member insurers may request the Commissioner's prior
25 approval, as specified in the Plan, to collect temporary supplemental fees from their own High Value
26 Commercial Property policyholders in order to recoup the full amount of assessment;

1 WHEREAS, the Commissioner and the FAIR Plan have jointly determined that the FAIR Plan
2 should have access to credit facilities, as specified in the Plan to be promulgated pursuant to this
3 Stipulation and order, in order to help ensure the Plan's solvency and ability to timely pay claims;

4 WHEREAS, the Commissioner and the FAIR Plan have jointly determined that the FAIR Plan shall
5 identify in its Clearinghouse program all policyholders who have completed one or more of the mandatory
6 property-level mitigation efforts or optional factors specified in Title 10, California Code of Regulations,
7 section 2644.9, subdivisions (d) and (e), or obtained a policy for a property in an area that has received a
8 community-level designation as specified in Title 10, California Code of Regulations, section 2644.9,
9 subdivisions (d) and (e);

10 WHEREAS, the Commissioner has determined that, commencing on July 1, 2025, and quarterly
11 thereafter, the FAIR Plan should provide reports, as specified in the Plan, to increase transparency and
12 help ensure the Plan's solvency;

13 WHEREAS, the purpose of this Stipulation is to update the Plan of Operation for the reasons set
14 forth above;

15 **STIPULATION**

16 Based on the foregoing recitals, which are part of this agreement, the Department and the FAIR
17 Plan stipulate as follows:

- 18 1. The Commissioner agrees to revoke the FAIR Plan's current Plan of Operation (Ed.
19 11/30/23) when furnished with a Plan of Operation consistent with the recitals above and this Stipulation.
- 20 2. The FAIR Plan agrees that it will, no later than 120 days from the date on which this
21 Stipulation and the Order below are signed by the Commissioner, submit rule, rate, and form filings to
22 enable the FAIR Plan to offer increased limits of \$20 million per structure, and up to a total aggregate limit
23 of \$100 million per Location for commercial property and related coverages written under Division I CPP;
- 24 3. The FAIR Plan agrees that it will begin offering increased commercial property limits of
25 \$20 million per structure, and up to a total aggregate limit of \$100 million per Location for commercial
26 property and related coverages written under Division I CPP within 120 days from the date of the approval

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ORDER 2024-1

This order is final immediately upon execution.

IT IS SO ORDERED.

Executed this 25 day of July, 2024.

By 

RICARDO LARA
California Insurance Commissioner