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CALIFORNIA CONSUMER ALERT

Insurance Commissioner Ricardo Lara

Commissioner Lara approves major FAIR Plan expansion to help HOAs, builders, farmers, and businesses access insurance coverage

Latest action is part of Commissioner's Sustainable Insurance Strategy to expand temporary FAIR Plan coverage options while efforts to stabilize market are underway

LOS ANGELES — Insurance Commissioner Ricardo Lara today announced the approval of the California FAIR Plan Association's commercial filing to increase commercial property coverage limits. This move is a key element of Commissioner Lara's ongoing Sustainable Insurance Strategy and continues the implementation of landmark reforms to address California's property insurance crisis.

Today's action by Commissioner Lara increases the FAIR Plan's Division I Commercial Property coverage limits to \$20 million per building, with a total \$100 million maximum limit per location. The FAIR Plan must make these new coverage limits available to all eligible applicants for both new and renewal policies within 120 days from today's approval date—or sooner—as stipulated in Commissioner Lara's binding [Order No. 2024-2](#).

The FAIR Plan, California's insurer of last resort operated by a consortium of insurance companies, has grown significantly as traditional insurers retreat from high-risk areas, placing further strain on the market. This growth has created what experts call a "hidden crisis" that threatens long-term solvency and consumer choice.

Commissioner Lara's action aims to help break the cycle of insurer withdrawal and continued FAIR Plan expansion, which can result in increased costs and fewer options for consumers statewide.

The expansion of limits aligns with the binding legal agreement reached in 2024 between Commissioner Lara and the FAIR Plan, requiring the FAIR Plan to offer this broader commercial coverage while improving its transparency and financial stability.

This latest step builds on Commissioner Lara's July 2024 announcement of a landmark FAIR Plan modernization agreement—part of what he has called "the most significant insurance reform since Proposition 103." That broader strategy includes:



"This targeted FAIR Plan expansion helps meet the urgent needs of homeowners associations, affordable housing developers, farmers, builders, and business owners who are being priced out or left without coverage altogether. It is a short-term solution with long-term benefits—providing necessary insurance access while we continue implementing comprehensive reforms to restore a competitive and reliable market in California."
– Commissioner Ricardo Lara

- Requiring insurers to cover more homes in wildfire-distressed areas and depopulate the FAIR Plan to bring its policyholders into the admitted market
- Allowing forward-looking catastrophe modeling and accurate reinsurance costs in the rate making process
- Improving transparency and speed in rate reviews
- Strengthening the FAIR Plan's solvency and customer service
- Incentivizing community-wide wildfire mitigation and home hardening efforts

"We are moving urgently but responsibly to create lasting reform," said Commissioner Lara. "Every part of my Sustainable Insurance Strategy is designed to deliver stability now and restore competition and choice for California consumers in the future."

The FAIR Plan is required to notify insurance brokers of the new coverage limits via a Broker Bulletin prior to implementation and must submit documentation to the Department of Insurance once that communication is complete.

Commissioner Lara emphasized that delays in implementing this action would undermine the stability all stakeholders are working to achieve.

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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 admitted insurance companies. These insurance companies collectively cooperate and contribute to the FAIR Plan, sharing the risk associated with covering high-risk properties across the state.

While not a government-sponsored program, the FAIR Plan is regulated by the 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

Under the July 2024 agreement, the FAIR Plan will create a new "high-value" commercial property coverage option for larger housing developments and businesses with increased coverage limits up to \$20 million per building, with a total maximum limit of \$100 million per location. This builds on continued actions that 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 limits 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 commercial property coverage limits to \$20 million per location. The Commissioner also held an investigatory hearing into the FAIR Plan's financial condition and made recommendations for structural improvements.

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.

Department staff are also currently conducting a comprehensive financial examination of the FAIR Plan, ensuring compliance with recommendations from the Department's 2022 Operational Assessment Report. This report called for significant changes in the FAIR Plan's governance, operations, underwriting and claims handling, risk management, customer service, and financial planning strategies and policies. These findings are expected to be publicly released in the coming months.

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 can now receive coverage at the FAIR Plan under a new law that Commissioner Lara strongly supported to ensure successful implementation.



Exciting News! ✨ The California Department of Insurance (CDI) is proud to introduce the **Community Outreach and Education Partnership Initiative**. This dynamic program is designed to raise consumer awareness about CDI's vital services and expand understanding of key insurance topics and fraud prevention. Become a valued partner and unlock exclusive access to:

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