California FAIR plan becomes prominent insurer amid rate hikes and limited availability

KRCR 7

The California FAIR plan, also known as the state's Insurer of Last Resort, is quickly becoming homeowner's first and only resort in some areas.

"The problem is real. It's not available in many cases, and it's not affordable when it's available," said Paradise Mayor Ron Lassonde.

The FAIR Plan just announced a record number of policyholders—now up to 375.000—during a hearing with State Assembly lawmakers. Plan administrators shared they're growing now at a rapid rate, averaging roughly 1,000 applications a day.

This comes as major insurers like State Farm announce they'll be scaling back business in California.

"They want more freedom to implement rate increases faster without oversight," said Amy Bach, executive director of United Policyholders, a non-profit advocacy group. "There is a level on which they do have financial concerns and they are trying to trim their exposure."

Experts say that in some cases, annual insurance rates have quadrupled.

"Now we're looking upwards of five, to six, to $7,000 up in Paradise, Magalia areas, Forest Ranch, which is really expensive," said Rudy Smith, a Chico-based insurance agent.

Smith says he's now writing two to three California FAIR Plans a month with difference of condition policies.

"Those are two policies stitched together to form one solid policy," he said. "We would maybe write a

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California FAIR Plan once a year and a lot of times it was a cabin in the middle of the woods somewhere, sometimes without an address."

The FAIR Plan admits that their rates are high in wildfire areas, compared to the voluntary market but says it continues to be the primary insurer for high fire-risk properties.

"Really we try to avoid them as much as we can and the California FAIR Plan would prefer that we do to be honest," Smith said.

The FAIR Plan says its total risk exposure is now over $311 billion as of last December. And as the number grows, so does concern over their financial stability. For now, they say they're actively working with lawmakers to depopulate the plan.

"We used to be able to have several options, maybe now we only have one or two options and now you're looking at higher premiums because now we only have one or two options," Smith said.

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