

California to beef up backstop for those losing homeowners' insurance in wildfire-prone areas

North Bay Business Journal

California regulators announced on Thursday new protections aimed at helping the growing number of people living in wildfire-prone areas who cannot find adequate homeowner's insurance.

Insurance Commissioner Ricardo Lara said that starting early next year his agency will significantly expand a state-created program that acts as the insurer of last resort.

Follow several years of destructive blazes, insurance companies have been canceling policies and raising rates on rural homeowners, according to government officials and industry experts.

Lara said his decision came after talking to thousands of residents across the state struggling to find coverage.

"Many have been dropped by their insurance company, even after decades with the company," he said during the Thursday press briefing.

The California FAIR Plan (Fair Access to Insurance Requirements) currently covers up to \$1.5 million in losses and is restricted to fire damage. All state-backed insurance companies are required to paying into the program.

Starting in April, the FAIR plan will cover up to \$3 million in damages, and by June the insurance plan will be expanded to cover water damage and personal liability.

The changes, based largely on inflation rates, were aimed at making the policy more affordable for residents. Many homeowners on the FAIR plan have been forced to pay for a second policy to fully insure their homes.

Residents will also be able to make monthly payments online using a credit card or electronic funds transfer with no added fees. More information will be available at cfpnet.com.

Homeowner advocates applauded the move.

"What the department has announced is a solution to a crisis that the insurance industry has created," said Amy Bach, executive director of the California-based United Policyholders, adding: "I really commend the commissioner and his staff."

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Representatives with American Property Casualty Insurance Association, a trade groups representing many of the state's largest insurance companies, has said the industry has been hit hard by wildfire damage in recent years.

The group did not immediately return a request for comment.

In 2017 and 2018, blazes – most notably the Camp Fire in Paradise – resulted in more than 124,000 claims valued at about \$26 billion in losses, according to the California Department of Insurance.

Complaints by residents in high-fire areas over losing insurance nearly doubled in the last two years and has increased by about 570 percent since 2010, according to the agency.

FAIR Plan enrollment in rural areas has increased over the last five years by more than 11,500 policies, and officials expect that number to increase dramatically when figures are tallied for 2019 early next year.

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