

California to overhaul insurance plan after wildfires

ABC 10 San Diego

SACRAMENTO, Calif. AP) — Californians who lost their home insurance because of the threat of wildfires will be able to buy comprehensive policies next year through a state-mandated plan under an order issued Thursday by the state insurance commissioner.

As wildfires threaten the state, insurance companies have been dropping many homeowners who live in fire-prone areas.

Most of those people turn to the California Fair Access to Insurance Requirements Plan, an insurance pool mandated by state law that is required to issue policies to people who can't buy them through no fault of their own.

But FAIR Plan policies are limited, offering coverage for fires, explosions and limited smoke damage.

California Insurance Commissioner Ricardo Lara on Thursday ordered the plan to begin selling comprehensive policies by June 1 to cover lots of other problems, including theft, water damage, falling objects and liability.

Lara also ordered the plan to double homeowners' coverage limits to \$3 million by April 1.

"You have people that now are being sent to the FAIR Plan and they have no other alternative. They won't even get a call back from an insurance company to offer them a quote," Lara said.

The FAIR Plan has been around since 1968. It is not funded by tax dollars. Instead, all property and casualty insurance companies doing business in California must contribute to the plan.

Known as the "insurer of last resort," the plan has been growing in recent years as wildfires have become bigger and more frequent because of climate change. FAIR Plan policies in fire-prone areas have grown an average of nearly 8% each year since 2016, according to the Department of Insurance.

Likewise, since 2015 insurance companies have declined to renew nearly 350,000 policies in areas at high risk for wildfires. That data comes from the state, and it does not include information on how many people were able to find coverage elsewhere or at what price.

The FAIR Plan is governed by a board of directors appointed by various government officials. Lara says he

has the authority to reject its operating plan. On Thursday, he ordered it to submit a new plan within 30 days that includes an option for comprehensive policies and other changes.

California FAIR Plan Association President Anneliese Jivan did not respond to an email seeking comment. It's unknown how much the plan's new policies will cost. But rates for FAIR Plan policies are supposed to break even. The insurance industry must cover any losses. And if the plan generates a profit, that money is given back to insurance companies.

FAIR Plan policies have been limited because, in general, the insurance industry doesn't want state-mandated plans to compete with private insurance plans. But Amy Bach, executive director of United Policyholders — a nonprofit advocating for consumers in the insurance industry — says her group is "hearing from panicked consumers daily."

"If insurance companies) don't like it, the solution really is to start doing their job and selling insurance again," she said. "This is an untenable situation."