

[Court rejects bid to beef up policies issued by California's home insurer of last resort](#)

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Retired nurse Nancy Reed has been through the ringer trying to get insurance for her home next to a San Diego County nature preserve.

First, she was dropped by her longtime carrier and forced onto the state's insurer of last resort, the California FAIR Plan, which offers basic fire policies — something thousands of residents have experienced at the hands of fire-leery insurance companies.

But what she didn't expect was how hard it would be to find the extra coverage she needed to augment her FAIR Plan policy, which doesn't cover common perils such as water damage or liability if someone is injured on a property.

She secured the "difference-in-conditions" policies from two insurers, only to be dropped by both before finally finding another for her Escondido home.

"I've lived in this house for 25 years, and I went from a very fair price to 'we're not insuring you anymore' — and I've had three different difference-in-conditions policies," said Reed, 71, who is paying about \$2,000 for 12 months of the extra coverage. "And I'm holding my breath to see if I will be renewed next year."

Now, a Department of Insurance regulation that would have required the FAIR plan to offer that additional coverage has been blocked by a state appeals court — leaving the plan's customers to find that insurance in a market widely considered dysfunctional.

The court ruled earlier this month that the order would have forced the plan to offer liability insurance,

which was not the intent of the Legislature when it established the plan in 1968 to offer essential insurance for those who couldn't get it.

"We appreciate that the court confirmed the California FAIR Plan is designed and intended to operate as California's insurer of last resort, providing basic property coverage when it cannot be obtained in the voluntary market," said spokesperson Hilary McLean.

Insurance Commissioner Ricardo Lara said he is "looking at all available options" following the decision. "I've been fighting so people can have access to all of the coverage the FAIR Plan is required by law to provide," he said in a statement.

Lara has faced criticism from consumer advocates who've called for his resignation over his response to the state's ongoing property insurance crisis.

A FAIR Plan policy covers fires, lightning, smoke damage and internal explosions, as well as vandalism and some other hazards at an additional cost. But in addition to water damage and liability protection, it doesn't cover such common perils as theft and the damage caused by trees falling on a house.

The demand for the additional coverage — commonly referred to as a "wrap-around" policy — has become even greater than in 2021 when Lara issued the order overturned on appeal.

The FAIR Plan at the time had about 160,000 active dwelling policies following a series of catastrophic wildfires, including the 2018 fire that nearly destroyed the mountain town of Paradise. By September, that number had grown to 646,000.

The insurance department lists less than two dozen companies that offer wrap-around policies, including major California home insurers such as Mercury and Farmers and a number of smaller carriers.

Broker Dina Smith said that to find the coverage for her home insurance clients she needs to place about 90% of them with carriers not regulated by the state — with the combined coverage typically costing at least twice as much as a regular policy.

"The [market] is very limited," said Smith, a managing director at Gallagher.

Safeco has not written California wrap-around coverage since the beginning of the year and will begin non-renewing existing policies next month. Smith also said carriers are being selective, with the ones that offer the coverage often demanding exclusions, such as for certain types of water damage.

“If I’ve got a newer home with no prior claims ... for liability losses, it’s going to be easy to write. If I get a home that is built in the 1950s that might still have galvanized pipes ... that’s going to be a tough one,” she said.

Attorney Amy Bach, executive director of United Policyholders, a San Francisco consumer group, said the difference-in-conditions, or DIC, market is getting just as problematic for homeowners as the overall market.

“The market is not as strong as it needs to be ... given how many people are in the FAIR Plan, and there aren’t as many DIC options — with the DIC companies being just as picky as the primary insurers,” she said.

There is also confusion about the policies, she said. Her group is considering pushing for a law next year that would clearly label the coverage so consumers better understand what they are buying.