

FAIR Plan insurance criticized for expense, lack of coverage in insurance commissioner hearing

ABC 7 News

SACRAMENTO, Calif. (KGO) — In California, if no insurance company will sell you a homeowner’s policy, you can get coverage through the California FAIR Plan. This insurer of last resort is a state mandated association run by insurance companies. Plagued with problems, an investigative hearing was held in Oakland Wednesday. The insurance commissioner gave an airing to grievances about the FAIR Plan. Most focused on high prices and modest coverage, but just like in an insurance policy, much of the important stuff is in the small print and overlooked details.

California Insurance Commissioner Ricardo Lara made it clear where he stood at the beginning of the investigative hearing: the California FAIR Plan must change.

“We are here today,” he said, “because of our continued concerns that the FAIR plan is not meeting its mission of insuring access and availability of insurance for Californians who need it.”

The hearing showed just how complex and expensive insuring a home through the FAIR Plan has become. The FAIR Plan representatives responded by pointing out it is covering the most expensive properties to insure.

Victoria Roach is the president of the California FAIR Plan: “The California FAIR Plan is committed to providing consumers with basic property insurance when that insurance is not available in the normal market.”

A recurring theme that today could cost consumers dearly. United Policy Holders Amy Bach had this to

say about the FAIR Plan's payment policy for smoke damage.

"The FAIR Plan must start processing smoke damage claims properly and paying for necessary mitigation and restoration promptly and fairly," Bach said.

The FAIR Plan has been under fire (if you will) for separating smoke damage from fire damage in its policies. Sarah Mapel owned a home in Boulder Creek in 2020 when the CZU Lightening Complex fires hit. She had FAIR Plan coverage.

"There was soot and debris in the air, it was rancid. Horrible smell throughout the entire home," Mapel said. "They told me to clean it myself."

Mapel has filed suit with her attorney Oakland-based Dylan Schaffer.

"The carriers have very smart underwriters, very smart lawyers," Schaffer said, "and they are constantly... constantly figuring out new and creative ways to avoid these kinds of benefits."

On Monday, Consumer Watchdog issued a report saying FAIR Plan-type smoke provisions ARE rolling out in the private insurance market, too.

"We were astonished to find provisions in these insurance policies that say that they limited coverage for smoke damage," says Consumer Watchdog's Harvey Rosenfield. "California law is very clear, there is no separate limit for a smoke damage."

The California FAIR Plan says it follows all laws. So what should consumers do? Check your policy looking for language that limits smoke damage payments. This will take a while to work its way through the insurance commission and courts.