Insurance commissioner orders changes to FAIR Plan

Plumas News

Plumas County homeowners may soon get some much needed home insurance relief.

The Fair Access to Insurance Requirements FAIR) Plan, which is referred to as the home insurance plan of last resort, is quickly becoming the only resort for many California homeowners due to devastating wildfires statewide. This plan costs significantly more than a traditional plan and only covers fire damage. Homeowners then have to get a second plan to cover things such as water damage, theft, falling objects and liability.

On Nov. 14, California Insurance Commissioner Ricardo Lara ordered the FAIR Plan to begin selling comprehensive insurance policies. In addition, he said the plan must double its homeowners' coverage limits, from $1.5 million currently, to $3 million by April 1, 2020.

Policyholders also will be able to pay monthly using credit cards or electronic transfers without being charged additional fees.

Lara said he'd heard from thousands of California homeowners who were being denied insurance because they live in fire prone areas. This already has affected home sales and home prices.

The FAIR Plan isn't tax funded. Instead, all property and casualty insurance companies doing business in California are required to pay into it. The Plan is governed by a board of directors appointed by various government officials, but Lara has the authority to override their decisions. His Nov. 14 order included a directive that the Fair Plan Association come up with a new plan within 30 days that includes the comprehensive policy option.

The California FAIR Plan Association President Anneliese Jivan has called Lara's order "a misguided

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approach."

In a prepared statement, Jivan said, "Implementing such a fundamental change in our mission and operations would involve a massive scale up of personnel with expertise in different types of insurance. Not only would this take significant time and divert resources from core activities focused on improving service to existing and new FAIR Plan policyholders, but it will also result in increased operating costs that will be passed along in the form of higher rates for all policyholders."

FAIR Plan policies have been limited, historically, because the insurance industry hasn't wanted the state-mandated plans to compete with their private insurance plans.

But Amy Bach, executive director of United Policyholders, a nonprofit that advocates for insurance consumers, says that insurance companies can't have it both ways. "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."

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