

More homeowners forced into California Fair Plan coverage

CBS 8

'Last resort' fire insurance coverage is now going mainstream.

CBS 8 is Working For You to get answers about the FAIR Plan, California's fire insurance of last resort. Most people never hear about the California FAIR Plan until their homeowner's insurance gets canceled.

"It's not a normal home insurance policy," said Amy Bach, executive director of the nonprofit United Policyholders. "It only covers fire, lightning, internal explosion. It doesn't cover water damage, leaks, your toilet overflows."

Back said the FAIR Plan is more expensive but necessary. "It's much better to have FAIR Plan coverage than to have no coverage," Bach said.

Once viewed as fire insurance of last resort in high-risk wildfire zones, more and more homeowners, even those in lower risk areas, are now being forced into the FAIR Plan.

"They typically outsource. They don't have their own claim-adjusting force. Everything takes longer. It's hard to find a person there. They just are not known for quality claim handling. They were built, basically, to be a stopgap until you could find a policy somewhere else," said Bach.

The FAIR Plan is funded by all mainstream insurance carriers in California, not taxpayers. "It's called an involuntary association of insurance companies. It's basically a forced co-op," Bach said.

For homeowners being forced into the FAIR Plan, Back advises people to keep shopping around. "You definitely want to talk to more than one agent because if an agent says, 'I have nothing for you but the fair plan' there might be another agent that would have something else for you," she said.

Keep in mind, the FAIR Plan can be modified to include coverages like dwelling replacement costs, inflation protection, or building code upgrades. “You can buy enhanced coverages and you should,” said Bach.

It’s worth repeating, the FAIR Plan only covers fire damage. Homeowners will need a separate policy to cover damages from earthquake, flooding or someone getting hurt the property.