

## <u>Rising concerns over CA FAIR Plan's financial</u> <u>capability due to LA wildfire costs</u>

ABC7 News

In the Sunol hills, homeowners denied normal insurance coverage have had to turn to California's FAIR Plan. It's the insurer of last resort. Data from California's Department of Insurance shows it's the only option for one in every 10 homeowners there.

"Recently, enrollment in the FAIR Plan has boomed. That's because the private home insurance market, specifically the private home insurance companies, have been withdrawing from different parts of the state," says Carmen Balber, executive director of Consumer Watchdog, a consumer advocacy groups that monitors homeowners' insurance.

She says part of the problem relates to climate change and an increased risk of wildfires. In Sunol, that risk is high. The First Street Foundation, which connects climate change to financial risk, estimates 99% of Sunol properties face a wildfire risk over the next 30 years.

"It is pretty easy to understand, if you put all the riskiest customers in one basket and something big happens, we start to run into financial troubles," says Balber.

Something big did happen – the Los Angeles County fires. Balber says it's too soon to say if FAIR Plan could become insolvent. But adds, it will be hit hard by the disaster.

"The reason it is worrying people is because the FAIR Plan claims may exceed the amount of money they have in the bank," explains Balber.

"We are focused on maintaining the FAIR Plan's financial health while getting people back to the regular market where they belong," says California Insurance Commissioner, Ricardo Lara, who spoke on Friday.

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He highlighted the sweeping reforms enacted in towards the end of the 2024 to encourage competition in the California's insurance market.

For policyholders, that includes: higher coverage limits, wildfires discounts for hardening their properties, and more payment options.

Consumer advocate Amy Bach says there are also a number of backstops to keep FAIR Plan afloat.

"Let's take the FAIR Plan president (Victoria Roach) at her word. She said that FAIR Plan can handle their exposure," says Bach.

Still, Stanford professor, Dr. Michael Wara says much of the optimism of the reforms were wiped away by the Los Angeles County fires.

"We have talked mostly about financial engineering, insurance, re-insurance, stuff like that. There is no way the state can insure their way out of this problem," says Dr. Wara, director of the Climate and Energy Policy Program.

He says it's too soon to know how the insurance market will emerge.

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