

California FAIR Plan Update

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CALIFORNIA
FAIR PLAN
PROPERTY INSURANCE

California FAIR Plan, Insurer of Last Resort

- Purposes of the FAIR Plan (CA Insurance Code Section 10090)
 - To assure stability in the property insurance market for property located in the State of California.
 - To assure the availability of *basic property insurance* as defined by this chapter.
 - To encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided brokers *by admitted insurers and licensed surplus line brokers.*
- To provide for the equitable distribution among admitted insurers of the responsibility for insuring qualified property.



California FAIR Plan, Insurer of Last Resort

- Not a state agency and not state- or taxpayer-funded
- Not for profit
- Not subject to Prop 103
- Accepts properties regardless of wildfire exposure
- Funded primarily through the policies it sells to customers

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Broker Information

- Perform a diligent search for insurance in the voluntary market
- The FAIR Plan does not determine the adequacy of requested limits and coverages
- The FAIR Plan does not verify insurable interest
- Brokers are **not** agents or representatives of the FAIR Plan
- Brokers are **not** authorized to transact insurance coverage or receive information from others on behalf of the FAIR Plan

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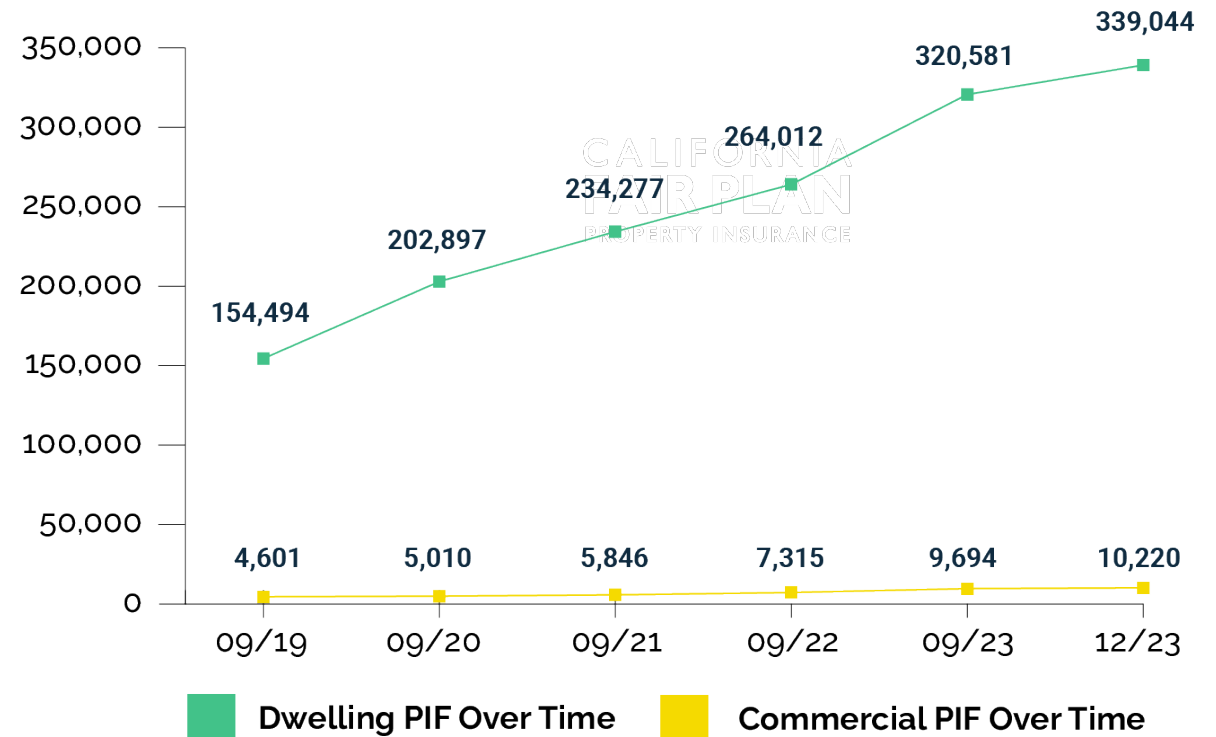
FAIR Plan Addressing Increased Demand

- Ensuring access to basic property coverage
- Meeting increasing consumer needs
- Supporting a fragile insurance market
- Collaborating with CDI, Legislature and other stakeholders to stabilize the market and, ultimately, depopulate the FAIR Plan

FAIR Plan Growth

- Now one of the primary property insurers in California
- **More than 350,000** Policies in Force (PIF), a 22% increase in 2023
- Receiving **nearly 1,500** applications a day
- Registered agents, brokers and other contacts increased from 9,000 to **more than 54,000**
- Increased underwriting and customer service staff

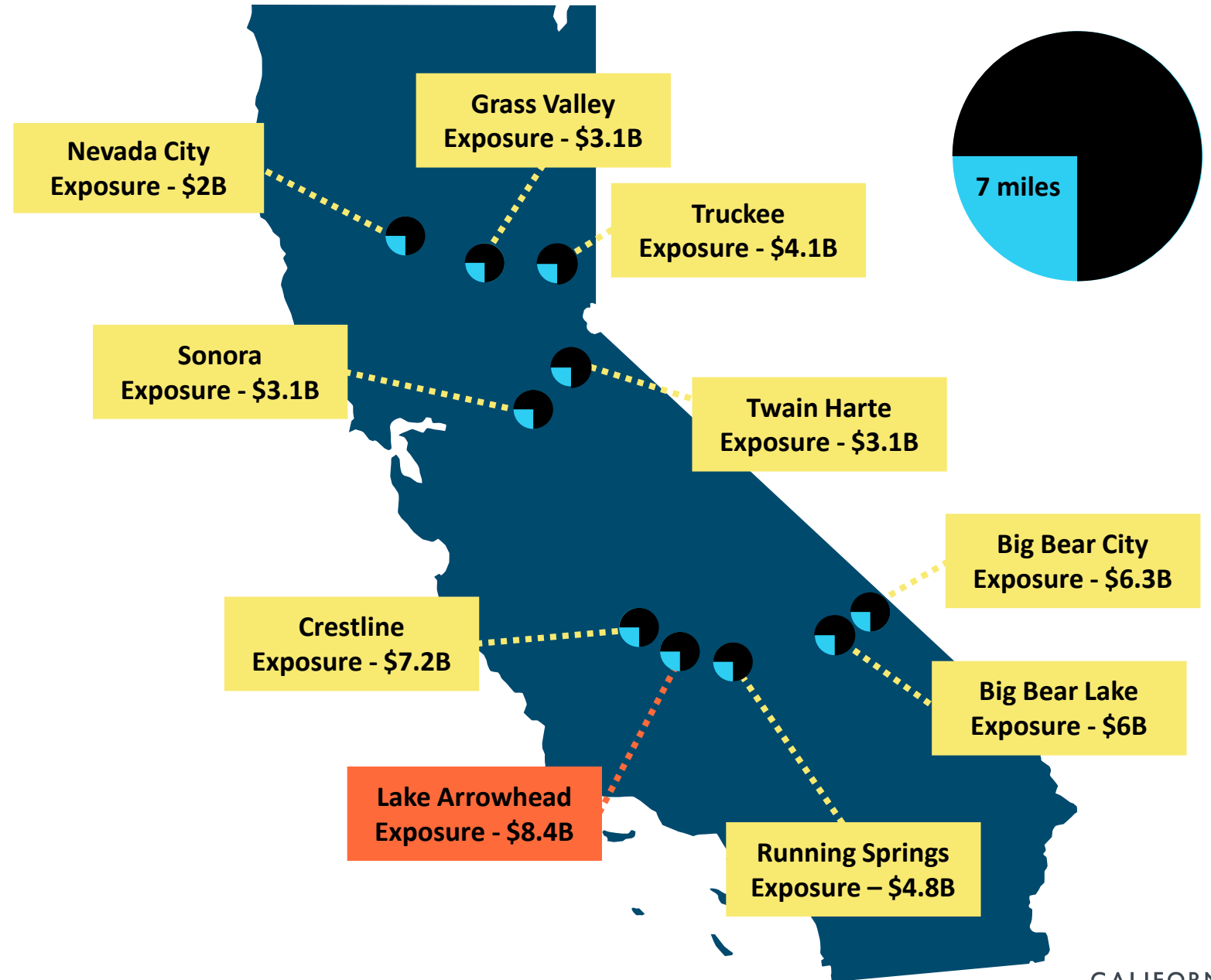
FAIR Plan Policies in Force (PIF)



**Dates are fiscal year ending Sept. 30.*

FAIR Plan Highest Wildfire Exposures

- Top 5 Wildfire Exposure Concentrations in Northern and Southern California
- Lake Arrowhead exposure has grown by over 13% since 2022
- Truckee exposure has grown by 42% since 2022
- Each exposure area represents a 7-mile quarter circle



FAIR Plan Rates and Reinsurance

- FAIR Plan rates, by statute, must be actuarially sound
 - *This includes expected cost of claims and losses as well as the FAIR Plan's operating expenses*
- The FAIR Plan proposes rates based on risk exposure, as determined by a certified actuary, administrative expenses and the net cost of reinsurance
- California Insurance Code Section 10095 (b) authorizes the FAIR Plan to purchase reinsurance

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Meeting Evolving Consumer Needs

- Launched new application technology system
- Hosting and participating in educational webinars, town hall meetings and events for brokers, agents, consumers and other stakeholders
- Increased staff and enhancing training and resources
- Implemented ZestyAI's wildfire risk analytics product, as approved by the CDI, when setting rates
- Launched additional policyholder payment options
- Implemented online credit card payment option (not automatic)

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Partnering to Address Insurance Market Issues

Collaborating with the California Department of Insurance on its Sustainable Insurance Strategy

- Depopulation of the FAIR Plan (includes clearinghouse AB 3012 and SB 505)
- Adequate rates and reinsurance
- Catastrophic Modeling
- FAIR Plan sustainability

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Thank you



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