



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

NOTICE

TO: All Property and Casualty Insurance Companies Licensed or Doing Business in California

FROM: Insurance Commissioner Ricardo Lara

DATE: August 23, 2024

RE: Request to Initiate or Increase Liability Insurance Coverage Offerings for Foster Family Agencies (FFAs) in California

Since I took office as Insurance Commissioner in 2019, my main priority has been to protect consumers. Part of that priority is increasing access to insurance coverage for all Californians, including for homeowners, business owners, and non-profit organizations.

Similar to the struggles that Californians face with securing and affording homeowners' and commercial insurance because of climate-intensified wildfires, many of the state's more than 200 nonprofit foster family agencies (FFAs) are on the verge of losing their risk pooling liability coverage, without which they cannot legally operate.

FFAs are nonprofit entities that contract with county placing departments to find placements for children who require more intensive care than a typical foster family home, usually as an alternative to a group home or short-term residential therapeutic program. FFAs recruit, certify, and train foster parents and provide social workers and other support to these foster families.

Over the past few decades, due to an increase in claims, changing risk appetites, and other market conditions, most insurers left or are leaving the insurance market that previously provided commercial liability insurance coverage for these nonprofit FFAs. As a result, this has left a single nonprofit pooled risk arrangement – the Nonprofits Insurance Alliance of California (NIAC) – with providing this required coverage for approximately 90% of the FFAs operating in California.

Pursuant to [Corporations Code Section 5005\(b\)\(1\)](#), the NIAC operates as a state-authorized risk pooling arrangement organized as a nonprofit public benefit corporation. Under existing law, the NIAC and similar nonprofit risk pools are not considered insurance

and not subject to regulation under the Insurance Code and by the Insurance Commissioner.

Primarily due to recent high-valued court judgment settlements against FFAs, which the NIAC is responsible for providing liability coverage for a significant amount of them, the NIAC began issuing nonrenewal notices to some FFAs last month as well as pausing acceptance of coverage for new FFAs. Those FFAs that are being nonrenewed by the NIAC are unable to readily obtain available and/or affordable replacement coverage, including in either the admitted or surplus lines insurance markets. This lack of coverage will likely force many FFAs to start shuttering their programs, thus upending the stability of the foster children and youth that they serve. On a larger scale, thousands of foster children and youth are potentially at risk of losing their current FFA placement.

Therefore, with this Notice, I am strongly encouraging all property and casualty insurance companies licensed or doing business in California to initiate or expand their offerings for this coverage to FFAs so that these important agencies can continue to serve thousands of children and youth in the state's foster care system.

For those insurance companies that might consider expanding in this market, but believe there are barriers to doing so, I welcome your thoughts on how to make this coverage more available and what barriers may exist so that together we may find solutions for this vulnerable population.

My Rate Regulation team will also work to diligently process any new and/or pending filings that are intended to address this urgent need as stated here in this Notice.

Questions pertaining to this Notice can be directed to:

Ken Allen
Deputy Commissioner, Rate Regulation
Ken.Allen@insurance.ca.gov