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2	BEFORE THE INSURANCE COMMISSIONER		
3	OF THE STATE OF CALIFORNIA		
4	In the Matter of		
5		STIPULATION AND ORDER NO. 2024-1	
6	· r	Insurance Code § 10095]	
7	Respondent.		
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9	WHEREAS, the California FAIR Plan Association	WHEREAS, the California FAIR Plan Association ("FAIR Plan") is an association of all admitted	
10	insurers licensed to write and engaged in writing Basic Property Insurance in California, governed by		
11	Chapter 9 of Part 1, Division 2 of the California Insurance Code, 1 sections 10090 et seq. ("Chapter 9");		
12	WHEREAS, pursuant to section 10095, subdivisions (f) and (g), administration of the FAIR Plan is		
13	subject to the supervision of the California Insurance Commissioner ("Commissioner");		
14	WHEREAS, pursuant to section 10090, the FAIR Plan's purposes are:		
15	 (a) to assure stability in the property insurance market for property located in the State of California; 		
16	 (b) to assure the availability of basic property insurance as defined by [Chapter 9]; (c) to encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided by admitted insurers and licensed surplus line brokers; and (d) to provide for the equitable distribution among admitted insurers of the responsibility for insuring qualified property for which basic property insurance cannot be obtained through the normal insurance market by the establishment of a FAIR Plan; 		
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19	(Italics added.)		
20	WHEREAS, pursuant to Insurance Code section 10095, subdivision (f), the Commissioner may, at		
21	any time, revoke approval of the FAIR Plan's Plan of Operation if the Commissioner feels it is necessary to		
22	carry out the purposes of Chapter 9 to help promote a stable insurance market and protect California		
23	consumers;		
24	WHEREAS, pursuant to Insurance Code section 10095, subdivisions (f) and (g), the FAIR Plan is		
25	required to amend its Plan of Operation at the direction of the Commissioner;		
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2728	1 All statutory citations are to Chapter 9 of Part 1, Division 2 of the California Insurance Code, section 10090 et seq. IN THE MATTER OF THE CALIFORNIA FAIR 1 Stipulation and Order No. 2024-1 PLAN ASSOCIATION		

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WHEREAS, the Commissioner and the FAIR Plan have jointly determined the current Plan of Operation (Ed. 11/30/23) should be revised as set forth herein;

WHEREAS, data compiled by the Commissioner demonstrates the FAIR Plan's market share has increased significantly in recent years as the normal market ceased writing new property insurance policies or non-renewed substantial numbers of property insurance policies in areas throughout the State of California exposed to wildfire risk, causing California consumers and businesses to increasingly rely on the FAIR Plan as California's insurer of last resort;

WHEREAS, the Commissioner has met with the Governor's Office, the Assembly Insurance
Committee, the Senate Insurance Committee, and the FAIR Plan to discuss the urgent need to modernize
the FAIR Plan as an integral part of the Commissioner's Sustainable Insurance Strategy to stabilize the
normal insurance market and reduce reliance on the FAIR Plan;

WHEREAS, the FAIR Plan's current Plan of Operation (Ed. 11/30/23) requires the FAIR Plan to offer, under its Division I Commercial Property Program ("CPP"), combined coverage limits of \$20 million per Location, as defined in the Plan, for building coverage, business personal property coverage, and other associated coverages at one Location;

WHEREAS, the Commissioner and the Department have met with representatives of commercial enterprises and non-profit entities throughout the State of California, including but not limited to, agricultural businesses, housing developers and builders, homeowners association boards, and condominium owners, who informed the Commissioner about (1) the lack of availability of commercial property insurance coverage in the normal market, and (2) the fact that the FAIR Plan's current Division I CPP coverage limits are insufficient to meet Californians' insurance needs;

WHEREAS, the Commissioner has determined that the FAIR Plan's current combined Division I CPP coverage limits of \$20 million per Location, as defined in the Plan, for building coverage, business personal property coverage, and other associated coverages at one Location, are insufficient to address the needs of Californians;

WHEREAS, the Commissioner has determined that it is necessary to amend the Plan of

Operation to increase the available coverage limits that the FAIR Plan offers for Division I CPP coverage, and that doing so will fulfill the FAIR Plan's purposes by keeping pace with rising commercial property values to adequately protect Californians from risk of loss due to peril(s) covered by the FAIR Plan's policies;

WHEREAS, the Commissioner has determined that the FAIR Plan should offer, under Division I, a Commercial Property Insurance Policy with combined coverage limits of \$20 million per structure for building coverage, business personal property coverage, and other associated coverages pertaining to each building located at one insured property address, with a total aggregate limit of \$100 million per Location, as defined in the Plan.

WHEREAS, the Commissioner has determined that the FAIR Plan must offer combined commercial property limits of up to \$100 million per Location for three years, which will ensure consumers have access to higher commercial limits until the normal market starts offering higher limit commercial policies;

WHEREAS, the Commissioner has determined that the FAIR Plan must submit appropriate rate, rule, and/or form filings to the Commissioner for prior review and approval to evaluate potential rate impact and determine appropriate rates subject to California Insurance Code section 10100.2;

WHEREAS, the Commissioner has determined that, to implement limits of up to \$20 million per structure and up \$100 million per Location in the aggregate for commercial property and related coverages written under Division I, and to help ensure the Plan has funds available to pay increased risk exposure related to higher limits, the FAIR Plan may submit rate, rule, and/or form filings that include a request to collect, at new policy inception or at any renewal, a temporary supplemental fee from policyholders that purchase a FAIR Plan policy with limits above \$20 million per Location;

WHEREAS, the Commissioner has determined that, to implement limits of up to \$20 million per structure and up \$100 million per Location in the aggregate for commercial property and related coverages written under Division I, and to help ensure the Plan has funds available to pay increased risk exposure related to higher limits, the FAIR Plan may submit subsequent applications to collect additional temporary

supplemental fees according to the Department's instructions for rule-change applications in effect at the time the application is made;

WHEREAS, the Commissioner has determined that, in order assure the stability of the property insurance market and the availability of basic property insurance in the extremely unlikely event the FAIR Plan is authorized to levy assessments, in one calendar year, of up to \$1 billion on member insurers that write residential property insurance policies with available limits of \$3 million per Location or less, or up to \$1 billion to member insurers that write commercial property insurance policies with available limits of \$20 million per Location or less, or up to a total of \$2 billion to member insurers that write residential and commercial property policies with available limits of \$20 million per Location or less, the FAIR Plan's member insurers may request the Commissioner's prior approval to collect temporary supplemental fees from their own policyholders in order to recoup up to 50% of amounts assessed;

WHEREAS, the Commissioner has determined that, in order assure the stability of the property insurance market and the availability of basic property insurance in the extremely unlikely event the FAIR Plan is authorized to levy assessments, in one calendar year, that exceed \$1 billion on member insurers that write residential property insurance policies with available limits of up to \$3 million per Location or less, or \$1 billion to member insurers that write commercial property insurance policies with available limits of \$20 million per Location or less, or \$2 billion to member insurers that write residential and commercial property policies with available limits of \$20 million per Location or less, the FAIR Plan's member insurers may request the Commissioner's prior approval to collect temporary supplemental fees from their own policyholders in order to recoup all amounts assessed;

WHEREAS, the Commissioner has determined that, in the extremely unlikely event the FAIR Plan is authorized to levy assessments on member insurers that write commercial property insurance policies with available limits of \$20 million per structure and \$100 million per Location in the aggregate ("High Value Commercial Property Policies"), those member insurers may request the Commissioner's prior approval, as specified in the Plan, to collect temporary supplemental fees from their own High Value Commercial Property policyholders in order to recoup the full amount of assessment;

WHEREAS, the Commissioner and the FAIR Plan have jointly determined that the FAIR Plan should have access to credit facilities, as specified in the Plan to be promulgated pursuant to this Stipulation and order, in order to help ensure the Plan's solvency and ability to timely pay claims;

WHEREAS, the Commissioner and the FAIR Plan have jointly determined that the FAIR Plan shall identify in its Clearinghouse program all policyholders who have completed one or more of the mandatory property-level mitigation efforts or optional factors specified in Title 10, California Code of Regulations, section 2644.9, subdivisions (d) and (e), or obtained a policy for a property in an area that has received a community-level designation as specified in Title 10, California Code of Regulations, section 2644.9, subdivisions (d) and (e);

WHEREAS, the Commissioner has determined that, commencing on July 1, 2025, and quarterly thereafter, the FAIR Plan should provide reports, as specified in the Plan, to increase transparency and help ensure the Plan's solvency;

WHEREAS, the purpose of this Stipulation is to update the Plan of Operation for the reasons set forth above;

STIPULATION

Based on the foregoing recitals, which are part of this agreement, the Department and the FAIR Plan stipulate as follows:

- The Commissioner agrees to revoke the FAIR Plan's current Plan of Operation (Ed.
 11/30/23) when furnished with a Plan of Operation consistent with the recitals above and this Stipulation.
- 2. The FAIR Plan agrees that it will, no later than 120 days from the date on which this Stipulation and the Order below are signed by the Commissioner, submit rule, rate, and form filings to enable the FAIR Plan to offer increased limits of \$20 million per structure, and up to a total aggregate limit of \$100 million per Location for commercial property and related coverages written under Division I CPP;
- 3. The FAIR Plan agrees that it will begin offering increased commercial property limits of \$20 million per structure, and up to a total aggregate limit of \$100 million per Location for commercial property and related coverages written under Division I CPP within 120 days from the date of the approval

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ORDER 2024-1 This order is final immediately upon execution. IT IS SO ORDERED. Executed this 25 day of July, 2024. RICARDO LARA California Insurance Commissioner IN THE MATTER OF THE CALIFORNIA FAIR Stipulation and Order No. 2024-1 PLAN ASSOCIATION