General Underwriting Guidelines

The California FAIR Plan Association is mandated by California Insurance Code sections 10090-10100.2. Section 10095 requires that a Plan of Operation establish a foundation for the insurance written by the FAIR Plan. The Plan of Operation outlines the basic underwriting standards the FAIR Plan must follow. Per the Plan of Operation:

“Reasonable underwriting standards shall include, but not be limited to, the following:

1. physical condition of the property, such as its construction, heating, wiring, evidence of previous fires or general deterioration;

2. its present use or housekeeping, such as vacancy, overcrowding, storage of rubbish or flammable materials; or

3. other specific characteristics of ownership, condition, occupancy, or maintenance which are violative of public policy and result in unreasonable exposures to loss.

Neighborhood or area location or any hazard beyond the control of the property owner shall not be deemed to be acceptable criteria for declining a risk.”

Eligible Areas

All properties located in the State of California that meet basic underwriting criteria are eligible for coverage with the California FAIR Plan.

Eligible Limits of Coverage

Dwelling Policies written under the Dwelling Property Policy

The maximum limit is $3 million in total for Dwelling, Contents, Other Structures (e.g. garage, gazebo, decking, etc.), Fair Rental Value, Ordinance or Law, Debris Removal and any other miscellaneous coverages (e.g. plants, shrubs and trees, awnings, etc.).

Commercial Policies written under the Standard Property Policy

The maximum limit for commercial properties is $3 million for structures and $1.5 million for all other coverages (business personal property, personal property of others, business income and extra expense) for a combined $4.5 million limit for all commercial properties at one location.

Multiple commercial buildings at one location must be scheduled under one commercial policy, subject to the maximum coverage limits described above.

The information contained herein is general in nature and cannot cover all possible underwriting criteria. Contact the FAIR Plan if you have any questions on any of our procedures.
This Section Applies to All Lines of Business

Inspections

Buildings insured by the FAIR Plan must be in insurable condition and are inspected depending on the age and occupancy of the building. In general, inspectors look at the physical condition of the building(s), occupancy, and hazards related to the coverage provided under the policy.

Inspectors do not determine if the type or amount of coverage ordered by the applicant is sufficient.

Some buildings require an interior inspection. Should an interior inspection be required, the inspector will contact the insured or their representative to arrange a date and time to gain access during normal business hours. Failure to cooperate in securing this inspection may result in cancellation or non renewal of the policy.

Other buildings may require an exterior observation inspection only. The inspector will not contact the insured prior to the observation inspection but both the insured and broker will receive a letter when the policy is issued advising that an observation inspection is being ordered.

Assignment of Policies

The FAIR Plan does not permit assignment of a policy. A new application must be submitted to insure the interest of any policyholder’s successor in the covered property. Named insureds can be added or deleted by endorsement as long as one of the named insureds listed on the original application is still insured by the policy and still owns an interest in the property covered.

Appeals

Any adverse decision made by the FAIR Plan (e.g., cancellation or non renewal) can be appealed to the Vice President of Underwriting. Based on the circumstances surrounding the appeal, the appeal may be taken to the Underwriting Committee of the California FAIR Plan for a decision.
Dwelling (Residential) and Commercial Fire Policies

Substandard Properties

Risks that do not meet reasonable underwriting standards are ineligible for coverage. Conditions making a property ineligible include, but are not limited to:

- Physical condition of the property, such as its construction, heating, wiring, evidence of previous fire damage or general deterioration;

- Its present use or housekeeping (e.g. overcrowding, storage of rubbish or flammable materials, etc.); or

- Other characteristics of ownership condition, occupancy or maintenance which are in violation of public policy and result in unreasonable exposure to loss. This includes properties with person(s) residing in the property without the owner’s permission or properties with marijuana grown, processed, distributed and/or dispensed on the premises (including marijuana intended for medical purposes).

Properties Intended to be Demolished

Any property that is intended to be demolished is not eligible for coverage as there is no insurable value to a building that is going to be demolished.

Lender Owned Properties

Properties owned by a lender as a result of, but not limited to, foreclosure are not eligible for coverage.

Dwellings Used for Storage

Dwellings used exclusively for personal storage with no intent of occupancy are not eligible for coverage.

Farm Property

Farm property includes all commercial farms or ranches and are not eligible for coverage. Non-commercial farms and ranches may be eligible for coverage.

Move-ons

Properties that have been moved from one location to another are not eligible for coverage until they have been permanently affixed to their new foundation and all access to the under-floor space has been closed.

Motor Vehicles

Motor vehicles are specifically excluded under all FAIR Plan policy forms and should be written with other insurers. This includes, but is not limited to, motor homes, camper trailers, etc.

Existing Property Damage

The FAIR Plan will not insure any properties with existing damage unless a copy of a contract signed by the applicant and a licensed contractor is submitted. The contract must identify the scope of work needed to be done to repair the damage, and state the projected start and completion date for the repairs.
Vacant Properties

The FAIR Plan will not offer insurance on any properties that have been vacant or unoccupied for more than one year prior to the date when the application was received by the FAIR Plan. All vacant properties are inspected.

There is a higher premium applied to vacant properties for the Vandalism or Malicious Mischief (VMM) peril, since vacant properties are subject to a higher degree of frequency/severity of loss than occupied buildings.

Course of Construction

Course of Construction policies can be written for one year on a Commercial Fire policy for either a dwelling or commercial risk. The policy has a 100% coinsurance clause and must be written for the full completed value of the building. A construction fence is required when the amount of insurance exceeds $500,000 and a guard is required on a commercial risk when the value exceeds $1 million. Warranties of these requirements are added to the policy at these coverage levels.

Mobile Homes

Mobile homes are eligible for coverage under the Dwelling Fire policy, subject to its coverage terms and limits. The mobile home must be secured permanently to the foundation with no access to the underfloor space in order to qualify for coverage.

Floating Homes

Floating homes are eligible for coverage provided that they are in good condition; are designed and built to be used as a residential building; are relatively stationary; have no ability to power themselves; are dependent on utilities from the shore; and have a permanent and continuous connection to a sewage system on shore. Houseboats or other self-propelling structures are not eligible for coverage.

Properties Rented for a Term of Less than Year

1-4 family dwelling unit properties that are rented in part or in whole for a term of less than one year (e.g. through a vacation rental site such as Airbnb) are eligible for coverage under a dwelling policy. The short-term rental status is requested on the application for coverage.
Businessowners Policy (BOP)

Only one BOP application is needed if the described risk has multiple buildings of eligible occupancy under the same common ownership at the same lot or location. If the properties have different ownership, or the properties are at separate locations, then separate BOP applications are needed.

Applications for coverage under the BOP program require three (3) declinations from other insurance carriers, one of which must be from a surplus lines carrier.

Inforce commercial fire policies cannot be endorsed to the BOP program. A new BOP application must be submitted.

The guidelines for Dwelling and Commercial apply to the BOP program with a few exceptions:

Existing Property Damage

The FAIR Plan will not insure any properties with existing property damage under the BOP program. The property may qualify for a Commercial Fire policy if a copy of a contract signed by the applicant and a licensed contractor is submitted. The contract must identify the scope of work needed to be done to repair the damage, and state the projected start and completion date for the repairs.

Vacant Properties

Buildings which are substantially vacant or unoccupied (over 50% of building area) are not eligible for coverage under the BOP program. Buildings which have been substantially vacant or unoccupied for less than one year may be eligible for a Commercial Fire policy.

Eligible Limits of Coverage

The limit is $2 million for the structure and $1 million for the contents. Business liability coverage is included at $300,000 Per Occurrence/$600,000 Aggregate.