



Subject **Commissioner Lara announces comprehensive solution to growing agricultural and commercial insurance needs**  
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# **RICARDO LARA**

## **INSURANCE COMMISSIONER**

**California Department of Insurance**

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## **Commissioner Lara announces comprehensive solution to growing agricultural and commercial insurance needs**

*Working with California Farm Bureau Federation and other business groups to make insurance more available across state*

### **SANTA PAULA, Calif. — Insurance**

Commissioner Ricardo Lara today proposed a comprehensive solution for commercial insurance coverage after several destructive wildfire seasons. Working with the California Farm Bureau Federation, he is addressing growing needs for a competitive insurance market for farmowners, wineries, and other outdoor businesses.

Commissioner Lara's solution involves strengthening the FAIR Plan, California's insurance safety net, while aggressively reducing wildfire risk through a combination of insurance incentives and mitigation.

In a meeting today at Limoneira, a citrus grower that experienced losses in the 2017 Thomas Fire, Commissioner Lara announced that he will order

the California FAIR Plan, the state's insurer of last resort, to increase its coverage limits, which have not been increased in more than 24 years, to keep up with inflation in order to be a more effective backstop for California's commercial businesses. This will build on Commissioner Lara's and the California Farm Bureau Federation's support this year for Senate Bill 11 (Rubio), which Governor Newsom signed into law allowing the FAIR Plan to insure farm structures.

"While wildfires can happen in many agricultural regions of the state, some parts of our state have borne the brunt of devastating fires starting in 2017," said Commissioner Lara at a meeting with the California Farm Bureau Federation, his latest in a series of meetings with farmers, vintners, and ranchers in Napa, Butte, and Central California.

"With a tighter insurance market due to wildfire risks, many farmers and vintners need more coverage than they can currently get. I am taking aggressive action to protect our farmers, vintners, and other businesses immediately while local government, state government, insurers and businesses all work together to reduce the wildfire

risk and increase a competitive insurance market."

Commissioner Lara and Department of Insurance representatives have met with businesses and non-profit entities throughout the state over the past two years. Groups such as agricultural operators, wineries, residential care facilities, affordable housing entities, and summer camps have informed the Commissioner about the lack of availability of commercial property insurance coverage in the traditional insurance market. These concerns included that the FAIR Plan's current commercial property coverage and business owners' coverage limits are insufficient to meet their needs.

Today's [Order](#) is one step toward providing greater protection to many of these businesses that are forced to purchase FAIR Plan coverage, when traditional coverage is not available.

Commissioner Lara also announced that he is moving forward under his existing authority to pursue new rules, announced earlier this year, to require that insurance companies take into

account fire-preparation actions by homes and businesses when they determine the risk of wildfires. This action will increase insurance availability and incentives for residents and businesses to better protect themselves.

### **First-ever data shows impact of recent fires on the agricultural industry**

Today, the Department of Insurance released first-ever data detailing how recent wildfire losses are affecting the commercial insurance market. Data collected from insurers was the result of a first-ever data call in the Department's history directed at the commercial insurance market. The data show that large North Coast fires in 2017, 2019, and 2020 caused substantial losses in Sonoma, Lake and Napa Counties, accounting for the bulk of losses across the state. While the North Coast represents just 8% of the state's commercial agricultural and farmowners insurance market, total incurred losses were 45% of the statewide total for those years. Wildfire losses also spiked in the Central Coast in 2017 due to the Thomas Fire and in Northern California in 2018, due to the Mendocino Complex, Carr and Camp Fires.

"Commissioner Lara is continuing to show his commitment to California's farmers and ranchers," said California Farm Bureau Federation President Jamie Johansson. "This isn't just talk, it's moving forward with conviction to address the challenges facing agriculture and collaborating on solutions. This action plan comes out of his meetings across the state where he has heard directly from our members. He sees the problems clearly and he is working with the California Farm Bureau to address them."

### **Taking steps to protect agricultural and other businesses**

As part of his commercial insurance action plan:

- Commissioner Lara ordered the FAIR Plan to amend its plan of operation within 30 days to increase its coverage limit for commercial property. The FAIR Plan maximum policy limit for its commercial property program is currently \$4.5 million, and that policy limit has not been increased since at least 1997. The FAIR Plan maximum policy limit for its Businessowner's Policy program is currently

\$3.6 million, and that policy limit has not been increased since at least 1994. The Consumer Price Index shows that costs have nearly doubled during that time in California.

- Commissioner Lara has directed Department of Insurance staff to expedite review of the FAIR Plan's agricultural filing, a filing that is required under newly signed SB 11. The FAIR Plan submitted their filing to the Department on October 6, 2021.

- [Commissioner Lara announced a workshop](#) on new rules that will require insurance companies to incorporate communities' and businesses' fire-prevention actions when rating their risk. Recognizing these "fire-hardening" actions will provide incentives to property owners to protect their property against wildfires, reducing future losses and increasing a competitive market.

- After data showed that no insurers in the admitted market currently cover liability from prescribed fire operations to reduce risks, Commissioner Lara publicly advocated for establishing a \$20 million Prescribed Fire Liability Pilot Project, which subsequently was approved in the latest California budget. Prescribed fire is a proven strategy for reducing risk of severe fires, and this

new fund will provide a mechanism to enable more prescribed burns, collect relevant actuarial data, and encourage more insurers to write such coverage in the future — including in agricultural regions.

- Commissioner Lara launched the first-of-its-kind Wildfire Partnership with Governor Newsom's administration, including CAL FIRE, CalOES, the Governor's Office of Planning and Research, and the California Public Utilities Commission to establish a common set of home and community hardening measures for insurance. This group is expected to complete its work later this year.

"It's critical that insurance reflect the real risk of wildfire losses, including the hard work consumers are doing to protect their properties," added Commissioner Lara. "With our agricultural businesses rolling up their sleeves, we need to see the same commitment from our insurance industry to long-term solutions."

**###**

**Media Notes:**

- [Commissioner's Order to the California FAIR Plan \(October 12, 2021\)](#)



- [Fact Sheet: Increasing the Availability of Agricultural Insurance.](#)
- The FAIR Plan offers two types of policies for agricultural and other outdoor business. Its businessowner's policy includes coverage for property damage, liability, and other perils. Its commercial-fire policy provides coverage only for fire damage, including wildfire, lightning, and internal explosion.
  - Proposed Regulation on Mitigation in Rating Plans and Wildfire Risk Models - [Invitation to Prenotice Public Discussions](#) (November 10, 2021) and [Workshop Draft Text of Regulation](#).
- [Press release: Commissioner Statement on Governor Signing of SB 11 \(July 23, 2021\)](#)
- [Press release: Commissioner Lara Supports Bill Expanding FAIR Plan to Cover Farm Buildings \(June 21, 2021\)](#)



The California Department of Insurance, established in 1868, is the largest consumer protection agency in California. Insurers collect \$371 billion in premiums annually in California. Since 2011 the California Department of Insurance received more than 1,000,000 calls from consumers and helped recover over \$469 million in claims and premiums.

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