

## COMMERCIAL LOCATIONS

# FAIR PLAN PROPERTY COVERAGE LIMITS TO INCREASE



**C**ALIFORNIA INSURANCE Commissioner Ricardo Lara has approved a request by the FAIR Plan to increase commercial property coverage limits.

The move is aimed at ensuring that commercial facilities with FAIR Plan coverage are not underinsured, which can be devastating if they suffer a total loss.

Under the new limit, the FAIR Plan will have a new “high-value” property coverage option for housing developments under construction, farms and businesses with multiple buildings at one location.

### New commercial property limit

<b>Per building:</b>	<b>\$20 million</b>
<b>Total maximum:</b>	<b>\$100 million per location</b>
<b>Current limit:</b>	<b>\$20 million per location</b>

The FAIR Plan must make these new coverage limits available to all eligible applicants for both new and renewal policies before July 26.

FAIR Plan policies are not a complete replacement of a commercial property insurance policy. Policies will only cover damage from the following perils:

- Fire
- Lightning
- Internal explosion

Optional coverages are available at an additional cost, such as for vandalism and malicious mischief.

Private insurer policies cover more. There are two types:

**Basic form policies.** They provide the least coverage, and usually cover damage caused by fire, windstorms, hail, lightning, explosions, smoke, vandalism, sprinkler leakage, aircraft and vehicle collisions, riots and civil commotion, sinkholes and volcano eruptions.

**Broad form policies.** These policies usually cover the causes of loss named in the basic form, as well as damage from leaking appliances, structural collapses, falling objects and the weight of ice, sleet or snow.

If you must go to the FAIR Plan, we can arrange for a “differences in conditions” policy that will cover the areas in which the plan is deficient compared to a commercial property policy.

### Types of buildings covered

The FAIR Plan will cover the following types of commercial buildings:

**Habitational buildings** – Buildings with five or more habitational units, such as apartment buildings, hotels or motels.

**Retail establishments** – Shops such as boutiques, salons, bakeries and convenience stores.

**Manufacturing** – Companies that manufacture most types of products.

**Office buildings** – Offices for professionals such as design firms, doctors, lawyers, architects, consultants or other office-based functions.

**Buildings under construction** – Residential and commercial buildings under construction from the ground up.

**Farms and wineries** – Basic property insurance for commercial farms, wineries and ranches, not including coverage for crops and livestock.

### A final word

The higher limits will come as a relief to many businesses in California whose properties’ replacement costs far exceeded the FAIR Plan limits. That said, premiums remain high under the FAIR Plan.

Besides the FAIR Plan, there is another option if you can’t find coverage. We can try to find coverage in the “non-admitted” market, which consists of global insurance giants like Lloyd’s of London.

These entities are not licensed in California, but they can still cover properties in the state, which we can access through a surplus lines broker. ❖