

## What Is FAIR Plan Insurance?

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### What Is FAIR Plan Insurance?

FAIR plan insurance covers high-risk homeowners who otherwise can't obtain coverage.

Many states offer last-resort FAIR (Fair Access to Insurance Requirements) plans to ensure that homeowners have access to basic coverage, regardless of a property's location or risk factors.

These plans arose in response to insurers halting coverage of high-risk property in certain areas, such as those prone to wildfires. Rising insurance expenses and costly natural disasters are among the factors that prompted states to launch FAIR plans.

### Key Takeaways

- Many states provide last-resort FAIR plan insurance for high-risk homes and homeowners.
- High-risk homes are often located in areas prone to frequent natural disasters.
- FAIR plan insurance typically costs more than traditional home insurance.
- FAIR plan insurance generally supplies less coverage than traditional home insurance.

### How FAIR Plan Insurance Works

All private insurers licensed to do business in states with FAIR plans contribute financially to those states's FAIR plans. Each insurer shares FAIR plan profits, losses, and expenses that equate to the insurer's market share in that state. As a result, numerous insurers bear the financial burden of covering high-risk homes.

Aside from coverage of homes in high-risk areas, such as those plagued by frequent natural disasters, someone may need FAIR plan insurance in situations such as:

- Living in a high-crime area
- Failing to keep up with home maintenance and repairs
- Filing a lot of home insurance claims

### How Does FAIR Plan Coverage Differ From Traditional Coverage?

Coverage under a FAIR plan generally costs more than traditional home insurance. In addition, FAIR plans typically cover only damage caused by catastrophes.

FAIR plan coverage varies from one state to another. However, dwelling coverage is normally part of the coverage. Coverage for adjacent structures and personal belongings generally must be purchased as optional add-ons.

A FAIR plan usually doesn't provide liability or loss-of-use coverage. Some states may allow you to buy additional coverage for risks like theft or liability. Still, this coverage may be limited and more expensive than if you bought it on the traditional home insurance market.

### **Pros and Cons of FAIR Plan Coverage**

#### Pros

- Available when you can't get coverage from traditional insurers
- Cost burden shared by private insurers

#### Cons

- Temporary solution for home insurance
- Generally higher premiums than traditional home insurance
- Limited protection
- Coverage limits are typically lower than traditional home insurance limits



### Which States Offer FAIR Plans?

Thirty-four states and the District of Columbia offer FAIR coverage. Colorado was the latest to establish a FAIR plan; coverage will begin in 2025.

State	FAIR Plan?
Alabama	<a href="#">Alabama Insurance Underwriting Association</a>
Alaska	No
Arizona	No
Arkansas	No
California	<a href="#">California FAIR Plan</a>
Colorado	<a href="#">Colorado FAIR Plan</a> (available in 2025)
Connecticut	<a href="#">CT FAIR Plan</a>
Delaware	<a href="#">Delaware FAIR Plan</a>
District of Columbia	<a href="#">District of Columbia Property Insurance Facility</a>
Florida	<a href="#">Citizens Property Insurance Corporation</a>
Georgia	<a href="#">Georgia Underwriting Association</a>
Hawaii	<a href="#">Hawaii Property Insurance Association</a>
Idaho	No
Illinois	<a href="#">Illinois FAIR Plan</a>
Indiana	<a href="#">Indiana FAIR Plan</a>
Iowa	<a href="#">Iowa FAIR Plan</a>
Kansas	<a href="#">Kansas FAIR Plan</a>
Kentucky	<a href="#">Kentucky FAIR Plan</a>
Louisiana	<a href="#">Louisiana Citizens Property Insurance Corporation</a>
Maine	No
Maryland	<a href="#">Maryland Joint Insurance Association</a>

Massachusetts	<a href="#"><u>Massachusetts Property Insurance Underwriting Association</u></a>
Michigan	<a href="#"><u>Michigan Basic Property Insurance Association</u></a>
Minnesota	<a href="#"><u>Minnesota FAIR Plan</u></a>
Mississippi	<a href="#"><u>Mississippi Residential Property Insurance Underwriting Association</u></a>
Missouri	<a href="#"><u>Missouri FAIR Plan</u></a>
Montana	No
Nebraska	No
Nevada	No
New Hampshire	No
New Jersey	<a href="#"><u>New Jersey FAIR Plan</u></a>
New Mexico	<a href="#"><u>NM FAIR Plan</u></a>
New York	<a href="#"><u>New York Property Insurance Underwriting Association</u></a>
North Carolina	<a href="#"><u>North Carolina FAIR Plan</u></a>
North Dakota	No
Ohio	<a href="#"><u>Ohio FAIR Plan</u></a>
Oregon	<a href="#"><u>Oregon FAIR Plan</u></a>
Pennsylvania	<a href="#"><u>Pennsylvania FAIR Plan</u></a>
Rhode Island	<a href="#"><u>Rhode Island FAIR Plan</u></a>
South Carolina	<a href="#"><u>South Carolina Wind and Hail Underwriting Association</u></a>
South Dakota	No
Tennessee	No
Texas	<a href="#"><u>Texas FAIR Plan</u></a>
Utah	No
Vermont	No
Virginia	<a href="#"><u>Virginia Property Insurance Association</u></a>



Washington	<a href="#">Washington FAIR Plan</a>
West Virginia	<a href="#">West Virginia FAIR Plan</a>
Wisconsin	<a href="#">Wisconsin Insurance Plan</a>
Wyoming	No

### What Do FAIR Plans Cover?

Offerings vary by state, but homeowners typically can get dwelling coverage through a FAIR plan. Insurance for personal belongings and additional structures usually is available only as add-on coverage. Liability coverage and loss-of-use coverage typically aren't offered.

### Dwelling Coverage

Dwelling coverage, a standard part of home insurance, pays claims associated with your home's structure but not your personal belongings. And this coverage is often for only specific "named" perils, or causes of damage, like fire, lightning, smoke, wind, or hail. However, installed fixtures and permanently attached appliances generally are covered. \*

Dwelling coverage is the main component of FAIR plan insurance. \*

### Contents Coverage

Contents coverage (also known as personal property coverage) kicks in when personal belongings, such as clothing and furniture, are damaged or destroyed in an incident like a fire or tornado.

Contents coverage is typically optional for FAIR plan policies.

### Liability Coverage

Generally, FAIR plans don't provide liability coverage.

The liability portion of a home insurance policy covers legal expenses associated with injury or property damage that you or your family members cause to someone else or someone else's property. Pet-related incidents are also covered.

### **What Are High-Risk Homes and High-Risk Homeowners?**

Factors that may cause a home or homeowner to be considered high-risk include:

- Your home is in an area where natural disasters often occur. These include tornadoes, hailstorms, windstorms, floods, hurricanes, earthquakes, and wildfires.
- Your home is in a high-crime area.
- Your home is in bad shape. For instance, it might have a leaky or worn-out roof.
- You have a history of making a lot of home insurance claims.

### **How to Qualify and Apply for FAIR Plan Insurance**

Eligibility requirements for FAIR plan insurance differ by state, and not every applicant gains coverage. Here are the basic requirements and steps for obtaining FAIR plan insurance.

- In most states, you must have been rejected by traditional insurers before seeking FAIR plan coverage.
- Once traditional insurers have rejected you, you typically must contact an insurance agent or broker that offers FAIR plan insurance.
- Your home might need to undergo an inspection to determine eligibility.
- Your home must comply with local building codes.
- Someone must be living in your home.
- Your home can't have an unfenced pool.



## Frequently Asked Questions (FAQs)

### How Much Does FAIR Plan Insurance Cost?

A FAIR plan insurance policy typically costs more than traditional home insurance. Premiums vary from state to state. Factors that influence FAIR plan premiums include the amount of coverage, the type of home construction, and the amount of the deductible.

### How Long Can I Stay on a FAIR Plan?

Although you might be able to stay on a FAIR plan indefinitely, your state's plan may require you to regularly apply for traditional coverage, such as every year or every two years. In this scenario, you wouldn't be able to keep your FAIR coverage if you qualify for traditional coverage.

### How Do I Know If My Home Is in an Area With a High Risk of Severe Weather?

An insurance agent or broker should be able to tell you if your home is in an area with a high risk of severe weather. You also might search for this information on websites like the U.S. Department of Homeland Security's Ready.gov.

### The Bottom Line

Most, but not all, states offer FAIR plans. FAIR plan insurance is a last-resort safeguard for high-risk homeowners who can't buy traditional home insurance. For instance, they might live in an area at high risk of natural disasters or have filed too many home insurance claims in the past.

This coverage is generally more expensive than traditional home insurance and typically provides less protection. An alternative to FAIR plan insurance is surplus lines insurance, offered by companies specializing in high-risk coverage.

Read the original article on Investopedia.

