

FAIR Plans For Home Insurance: What Is It And How Does It Work?



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Living in a house that's regularly exposed to severe weather or high crime rates can put you in a higher risk category than average homeowners. If the best home insurance companies consider you too high of a risk, they could decline to sell you homeowners insurance.

Fortunately, for those who can't find insurance on the voluntary market, your state likely offers high-risk home insurance policies, also known as FAIR plans. *

What is a FAIR Plan?

For property owners who cannot get coverage, Fair Access to Insurance Requirements (FAIR) Plans offer insurance protection to these individuals.

FAIR plans are designed to cover areas that have unusually high risks. These plans are policy groupings or insurance pools that offer coverage to property owners who can't qualify for traditional homeowners insurance.

Your property could be considered high risk if:

- It's in a location prone to severe weather conditions such as hurricanes, windstorms, tornadoes or hail
- It's in an area that is prone to crime, vandalism, or theft
- It has old plumbing, electrical or heating systems that can increase the chances of fire or water damage

How to Qualify for a FAIR Plan

Just because you're considered high-risk doesn't mean you automatically qualify for coverage under a FAIR plan. There are a few eligibility requirements you must meet.

Typically, property owners must make property improvements to minimize the risk of fire, theft or water damage. Upgrades can include upgrading electrical wiring, and plumbing systems, improving security or repairing a roof. If you fail to do so, the FAIR plan administrator has the right to deny coverage.

States may have different eligibility requirements for their FAIR plans. Some additional requirements may include:

- At least two insurance companies must have denied you home insurance coverage. (Some states require a higher number of insurance denials.)
- The property doesn't have any outstanding taxes, penalties, liens, or assessments.
- The property isn't in violation of any building, housing, air pollution, sanitation or other ordinance or rule.
- You must reapply for coverage every two years in the voluntary market to see if you can get regular coverage.

Find Your State's Fair Plan

<u>Alabama</u>	<u>Minnesota</u>
<u>California</u>	<u>Mississippi</u>
<u>Connecticut</u>	<u>Missouri</u>
<u>Delaware</u>	<u>New Jersey</u>
<u>District of Columbia</u>	<u>New Mexico</u>
<u>Florida JUA</u>	<u>New York</u>
<u>Florida Windstorm Underwriting Association</u>	<u>Ohio</u>

<u>Alabama</u>	<u>Minnesota</u>
<u>Georgia</u>	<u>Oregon</u>
<u>Hawaii</u>	<u>Pennsylvania</u>
<u>Illinois</u>	<u>Rhode Island</u>
<u>Indiana</u>	<u>South Carolina</u>
<u>Iowa</u>	<u>Texas FAIR Plan</u>
<u>Kansas</u>	<u>Texas Windstorm Insurance</u>
<u>Kentucky</u>	<u>Virginia</u>
<u>Louisiana FAIR Plan</u>	<u>Washington</u>
<u>Maryland</u>	<u>West Virginia</u>
<u>Massachusetts</u>	<u>Wisconsin</u>
<u>Michigan</u>	

What do FAIR Plans Cover?

FAIR plans may offer less coverage than standard homeowners insurance policies. But they will provide some form of coverage when it's your last resort. With this in mind, some of the coverage types offered in FAIR plans include:

Dwelling coverage: Pays to rebuild or repair the home's structure if damaged or destroyed due to a problem covered by the plan. Some FAIR plans provide coverage only for damage due to fire, vandalism, riots and windstorms. Standard homeowners insurance policies cover more.

Contents coverage: Pays for personal belongings that have been damaged or destroyed. Like dwelling coverage, some FAIR plans only cover damage to belongings for a small list of problems.

Liability coverage: Pays for medical expenses or property damage to others when you're legally liable. Roughly a dozen states offer liability coverage as part of their FAIR plans. For example, under Georgia's FAIR plan, policyholders can receive up to \$100,000 of personal liability coverage and "medical payment to others" coverage up to \$1,000.

Some FAIR plans also offer optional coverage such as coverage for other structures (such as fences), ordinance or law coverage, debris removal and [earthquake insurance](#). Your options will depend on your state's plan.

Alternatives to FAIR Plans

Even if you've been [denied home insurance](#) in the voluntary market, you don't necessarily have to apply for a FAIR plan. There are other options you may want to consider.

Speak with a current insurance agent. Speak with the insurance agent who sold your previous home insurance policy, or your current [auto insurance](#) policy. If the reasons for the denial are not the home's location but its condition, you may be able to make improvements and qualify again for a regular policy.

Contact an independent insurance agent. Independent agents can sell policies from multiple companies. Have them assess your situation and find out if there's a company that will sell you a regular home insurance policy.

Contact your state insurance department. Generally, your [state insurance department](#) can provide a list of insurers that sell policies in your state or give information about community groups that aid homeowners with insurance issues, like the Neighborhood Reinvestment Corporation.

Talk to your real estate agent or mortgage lender. If you just moved into a new home, speak with your realtor or mortgage lender to identify insurance companies that write policies in your area. You could also ask the previous owners who insured them.

If all else fails, you may need to apply for a FAIR plan. Or, you can apply for a Beach and Windstorm plan if you live in one of the seven Atlantic or Gulf coast states that offer these policies. Beach and Windstorm Plans offer property owners coverage in areas prone to hurricanes and severe windstorms.

For example, Florida, Mississippi, South Carolina and Texas have plans that cover wind and hail damage.

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FAIR ACCESS TO INSURANCE REQUIREMENTS (FAIR) PLANS

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Issue: FAIR plans, also known as Fair Access to Insurance Requirements plans, are state-mandated property insurance plans that provide coverage to individuals and businesses who are unable to obtain insurance in the regular market. These plans are typically used as a last resort and provide basic coverage for properties that are considered high-risk or difficult to insure due to factors such as location, age, or type of construction.

Insurance FAIR plans were created as a response to the problem of insurance market unavailability, which occurred when insurance companies stopped providing coverage to high-risk properties and individuals in certain geographic areas. This was due to a combination of factors, including natural disasters, changes in building codes, and rising insurance costs.

Background: The resulting lack of insurance options for these high-risk properties and individuals led to the creation of FAIR plans as a solution to provide them with access to basic insurance coverage. The goal of FAIR plans is to ensure that everyone has access to insurance, regardless of their property's risk factors or location.

Fair Access to Insurance Requirements (FAIR) plans were implemented in twenty-six states, the District of Columbia, and Puerto Rico pursuant to the Urban Property Insurance Protection and Reinsurance Act of 1968 to mitigate urban deterioration by

reducing unfair insurance practices. Since the creation of the first FAIR plan, similar plans have been established in other states, providing access to insurance for high-risk properties and individuals. The FAIR Plan serves as an important backstop for the public by making insurance available in all high-risk areas.

While these plans are instituted at the state level, they're financially backed by all private insurers licensed to write insurance in that state. Each of these companies shares in FAIR Plan profits, losses, and expenses at an amount proportional to its market share in the state. This allows multiple insurance companies to share the risk of the most high-risk homes, rather than just one company.

FAIR plans are typically more expensive and have limited protection than insurance obtained in the regular market. These plans are typically only intended to provide coverage for catastrophic events. FAIR Plan insurance coverage varies by state, but at the very least it usually includes dwelling coverage. Coverage for personal belongings and additional structures on the property are usually only offered as optional policy add-ons. Generally, loss of use and personal liability coverages aren't offered via FAIR plans.

Status: Many states in the United States have some form of FAIR plan, although the specific structure and regulations vary by state. Some states have a single state-run plan, while others have multiple plans operated by different insurance companies. The states that have their own FAIR plans include California, Florida, Hawaii, New York, and North Carolina, among others. Additionally, some states have residual market mechanisms, such as assigned risk plans, which serve a similar purpose to FAIR plans.

As such, FAIR plans were designed to be actuarially sound rates were commensurate with risk to preserve their solvency and not interfere with the insurance market's fundamental supply-demand equilibrium.

Over time, however, the mission of FAIR plans broadened as these plans are increasingly viewed as tools for promoting economic development in coastal areas and providing low priced insurance. In some areas, beach, and windstorm plans (a type of FAIR plan in coastal states) insured more risks than were insured in the voluntary market. Over 10% of Florida homeowners have insurance through the state's FAIR Plan sold through Citizen's Insurance as of March 2022 and that number is only expected to rise.

The NAIC's Property and Casualty Insurance (C) Committee is chartered with monitoring and responding to problems associated with products, delivery, and cost in the P&C

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insurance market including issues of accessibility and affordability of coverage. Additionally, the Climate and Resiliency (EX) Task Force coordinates the NAIC's climate-risk and resiliency activities.

