



Senate Bill 11 (Rubio) – Basic Property Insurance

Legislative Update and Discussion

Mendocino County Farm Bureau

9.23.21

Senate Bill 11 (Rubio) – Background

- Existing California Law prohibited the California FAIR PLAN from underwriting basic property insurance for commercial agriculture;
- Specifically, the prohibition on insuring “farm risk” was broadly applied to any California commercial farm or ranch;
- June 2020 – Members of CAFB informed GAD that FAIR Plan was denying coverage, canceling coverage and that other private market insurers were leaving the market altogether;
- September 2020 – CAFB led the first of many coalition meetings with California’s insurance associations, agricultural colleagues and members of the legislature;
- March 1, 2021 – Senate Bill 11 (Rubio) introduced with full industry support;
- July 23, 2021 – Senate Bill 11 (Rubio) signed by Governor Newsom (144 days).

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- Reaffirms that commercial farms and ranches are now eligible for property insurance coverage via the California FAIR Plan;
- Continues to exclude coverage for risks associated to, “commercial agricultural commodities or livestock, or equipment used to cultivate or transport agricultural commodities or livestock.”
 - FAIR Plan and the State of California should not be responsible for providing crop insurance;
 - FAIR Plan is not intended to insure vehicles and mobile machinery;
 - Distinctions are important because crop insurance is widely available and mobile machinery is eligible for coverage under other policies (inland marine, etc.);
 - Most significant need for basic property coverage is related to insurance of our agricultural infrastructure (outbuildings, barns, wineries, dairies, groundwater pumps, solar, irrigation and fencing) – none of which had been eligible for coverage by the FAIR Plan if an individual had their property insurance canceled, or non-renewed.

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- The legislation was introduced in anticipation of the crisis that started to unfold in the Spring of 2021;
- The legislation is designed to provide “last resort” insurance coverage to ALL commercial agriculture (orchards, dairies, wineries, poultry);
- Senate Bill 11 was introduced and signed in only 144 days;
- Senate Bill 11 **DID NOT** create an arbitrary cap of \$3 million on structures. This is a falsehood created by the Napa Valley Vintners and conflates the existing limits on commercial policies with the agriculture endorsement that is still under development.
 - Maximum limit for commercial properties covered by the FAIR Plan is \$3 million for structures and \$1.5 million for business personal property (computers, photo copiers, etc.);
 - Unknown what the maximum limit will be for the agricultural endorsement, and we do anticipate a higher limit than what may be currently offered.



Senate Bill 11 (Rubio) – Next Steps

- California FAIR Plan is required to have the agricultural endorsement submitted to the California Department of Insurance by no later than October 21, 2021.
 - This process will be expedited to approve the forms, guidelines and rates that are needed for FAIR Plan to begin offering coverage.
- CAFB members should be aware that FAIR Plan coverage will **NOT** be a “carbon copy” replacement of a previously held policy.
- Insurance coverage will likely become more complex as policies will need to be “stacked” in order to avoid any under-insurance gaps.
- GAD staff has indicated the need for an insurance seminar at Annual Meeting and will be participating (as needed) in other County Farm Bureau events.

Senate Bill 11 (Rubio) – Recent Update

September 2, 2021 – FAIR Plan updated their internal guidelines and policies to once again offer coverage for winery buildings and business personal property not involved in the growing or cultivation of grapes.

- This coverage had been rescinded in Spring of 2021 until the passage of Senate Bill 11 which clarified the applicability;
- The coverage includes the following:
 - ❖ Buildings with wine manufacturing and bottling;
 - ❖ Barrel rooms;
 - ❖ Tasting rooms;
 - ❖ Winery offices;
 - ❖ Winemaking equipment (including barrels);
 - ❖ Bottled wine as inventory.

Coverage is not available for: vineyards, grapes and unprocessed wine, equipment used to cultivate or harvest grapes (including buildings where equipment is stored, buildings in which grapes are grown or cultivated.) Excludes coverage of structures not directly associated with wine production.