



# California FAIR Plan Update

PRESENTED BY VICTORIA ROACH, PRESIDENT

# Understanding the FAIR Plan

---

- The FAIR Plan is established by statute.
- The FAIR Plan is an involuntary association of its member companies.
- All licensed property insurers in California are required to participate.
- The Plan of Operation is the governing document.
- California Department of Insurance (CDI) regulates the FAIR Plan.



First option for property insurance should be the admitted market

**118 admitted insurers**

Second option should be surplus lines

**132 surplus lines**

The FAIR Plan is intended to be the option of last resort for consumers unable to get property insurance through the admitted market or surplus lines

**1 FAIR Plan**





# Understanding the FAIR Plan

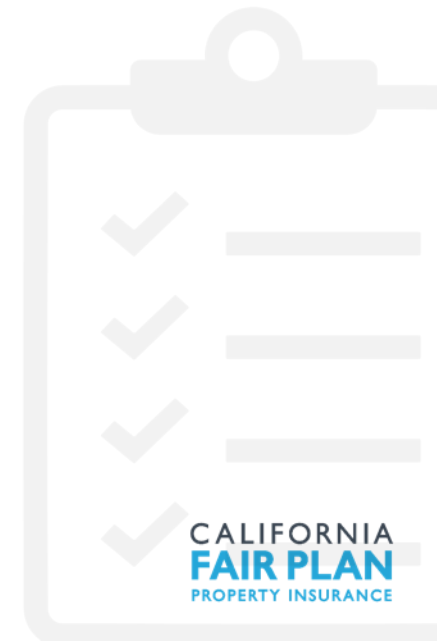
---

- Established in 1968 following the riots and brush fires of the 1960s to become California's insurer of last resort
- **Not** a state agency and **not** state- or taxpayer-funded
- **Not** for profit
- Accepts properties **regardless of wildfire exposure**
- Intended to be funded primarily **through the policies it sells** to customers
- Serves as a **temporary safety** net
- **Not intended to compete with or replace** insurers in the voluntary market
- Rates, by statute, must be **actuarially sound**

# Understanding the FAIR Plan: Who's Eligible & What's Covered

---

- The FAIR Plan does not require customers to purchase any particular amount or type of insurance.
- A **broker works with a property owner** to determine eligibility for coverage from the FAIR Plan.
- Policy types and current coverage limits:
  - **Dwelling Fire Policy**
    - \$3 million policy limit
    - Owner-occupied, tenant-occupied, rented to others, condo unit owners, vacant (up to one year)
  - **Commercial Fire Policy**
    - \$100 million policy limit per location (3-year program), with a \$20 million limit per building
- Discounts are available to policyholders that reduce wildfire risk.





# Evolution of FAIR Plan as First Option for Many







# Importance of Actuarially Sound Rates

---

- **AB 1754: Assembly Floor Analysis on why actuarially sound rates are necessary for the FAIR Plan (1996)**

“The author believes that the rates currently charged by the FAIR Plan are not actuarially sound and these unsound rates have resulted in the inability of the FAIR Plan to cover losses on its policies. According to the author, these shortfalls have resulted in \$260 million in assessments on property insurance companies in the past four years. *The author further states that these assessments have resulted in the subsidy of FAIR Plan policies by every homeowner and commercial property insurance policyholder in California. The author believes that this bill is necessary to protect the solvency of the FAIR Plan and to remove what is in effect an indirect tax on property owners by making FAIR Plan rates actuarially sound and by capping the exposure of the FAIR Plan.*”

- Premiums must accurately reflect the level of risk associated with insured properties.
  - The FAIR Plan proposes **rates based on risk exposure, as determined by a certified actuary, administrative expenses and the net cost of reinsurance.**

# FAIR Plan Rates

- FAIR Plan is lower priced than the admitted market in some geographic areas, including the Differences in Conditions (DIC) premium

## Dwelling rate filing history

Submission date	Approximate Rate need	Filed rate increase	Rate Approved	Approval date
9/2025	80%	35.8%*	Pending	Pending
8/2021	74%	48.8%	15.7%	9/2023
2020	--	40.8%	15.6%	2021

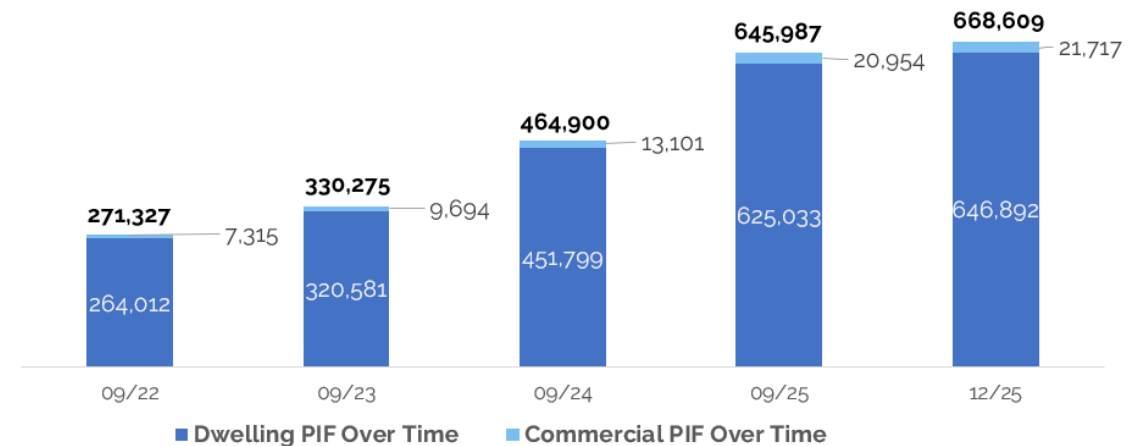
\*First rate filing under SIS guidelines, includes some reinsurance costs and catastrophe modeling



# Tracking Growth: FAIR Plan's Expansion Over Time

The FAIR Plan covers a significantly higher concentration of high-fire risk properties than voluntary insurers and is now one of the primary insurers in California.

- FAIR Plan's total exposure is **\$724 billion** (December 2025)
  - 4% increase** since September 2025 (prior fiscal year-end)
  - 230% increase** since September 2022 (Fiscal Year End 2022)
- FAIR Plan's total PIF is **668,609** (December 2025)
  - 4% increase** since September 2025 (prior fiscal year-end)
  - 146% increase** since September 2022 (Fiscal Year End 2022)
- More Californians have turned to the FAIR Plan due to:
  - Increase in **climate-driven wildfires**
  - Difficulty procuring insurance** in the voluntary market



\*Data from December 2025

# Evolution of FAIR Plan as First Option for Many

FAIR Plan Stabilization	FAIR Plan Expansion	New Expansions
<p><b>AB 1754 (Knowles) 1996</b></p> <ul style="list-style-type: none"><li>FAIR Plan actuarial sound rates (mitigate assessment of private market)</li></ul> <p><b>AB 3012 (Wood/Daly) 2020 and SB 505 (Rubio) 2023</b></p> <ul style="list-style-type: none"><li>Intended to depopulate the FAIR Plan by establishing a clearinghouse to help transition FAIR Plan policies to the voluntary market</li></ul> <p><b>CDI Sustainable Insurance Strategy 2024</b></p> <ul style="list-style-type: none"><li>Intended to depopulate FAIR Plan</li><li>Actuarial rates, reinsurance and catastrophe modeling etc.</li></ul> <p><b>AB 226 (Calderon and Alvarez) 2025</b> provided <b>additional funding source and mechanism</b> to support the FAIR Plan's ability to pay claims.</p> <ul style="list-style-type: none"><li>Allows the FAIR Plan to <b>access bonds</b>, with approval of the California Department of Insurance.</li><li>Enables the FAIR Plan to <b>secure a line of credit</b>, with approval of the California Department of Insurance</li></ul>	<p><b>SB 11 (Rubio) 2021</b></p> <ul style="list-style-type: none"><li>Expand FAIR Plan to cover farms <b>(completed)</b></li></ul> <p><b>CDI-FAIR Plan Stipulations</b></p> <ul style="list-style-type: none"><li>Extend and increase dwelling coverage limits to \$3 million <b>(completed in 2022)</b></li><li>Increase commercial coverage limit to \$20 million per location <b>(completed in 2023)</b></li><li>\$100 million per location <b>(completed 2025)</b></li></ul> <p><b>AB 290 (Bauer-Kahan) 2025</b></p> <ul style="list-style-type: none"><li>Automatic recurring payments</li></ul> <p><b>SB 525 (Jones) 2025</b></p> <ul style="list-style-type: none"><li>Added replacement cost coverage for manufactured and mobile homes</li></ul>	<p><b>CDI Order</b></p> <ul style="list-style-type: none"><li>Expand FAIR Plan to add more of the coverages included in a full homeowner's policy</li><li>2026 proposals to expand FAIR Plan?</li></ul>



# Market Stabilization: Reinsurance to pay claims

- Reinsurance operates as “insurance for insurance companies.”
- Common and prudent business practice that supports responsible management of insurers’ financial risk.
- Insurance code section 10095 (b) authorizes the FAIR Plan to purchase reinsurance.

Loss Amount (up to)	Reinsurance Pays	CFP / Industry Pays
7,100,000,000	3,456,637,000	3,643,363,000
6,000,000,000	2,935,600,000	3,064,400,000
4,900,000,000	2,501,530,000	2,398,470,000
3,900,000,000	2,184,630,000	1,715,370,000
3,000,000,000	1,590,000,000	1,410,000,000
2,200,000,000	950,000,000	1,250,000,000
1,650,000,000	400,000,000	1,250,000,000
1,250,000,000	-	1,250,000,000



# Market Stabilization: Assessments to pay claims

---

- By statute, the FAIR Plan, with the approval of the California Insurance Commissioner, has the **right to assess all admitted insurers licensed to sell and selling property insurance in California to help pay for FAIR Plan losses.**
- Assessments are issued when the FAIR Plan's ability to pay ongoing claims is at risk.
- Once the California Insurance Commissioner approves the request, the FAIR Plan will notify each admitted market insurer of their assessment responsibility.
- The FAIR Plan **does not assess its own customers and does not have a role in determining how or if admitted insurers may recoup their share of the FAIR Plan assessment from their customers.**
- **\$1B assessment in February 2025** to maintain ability to pay ongoing claims following Eaton and Palisades fires.
- Previous assessments:
  - **\$150M in 1993**, following fires in Altadena and Malibu.
  - **\$60M in 1994** and **\$50M in 1995**, following the Northridge Earthquake

# Market Stabilization: New Mechanisms to Pay Claims: AB 226

- AB 226 (Calderon and Alvarez) provided **additional funding source and mechanism** to support the FAIR Plan's ability to pay claims.
- Allows the FAIR Plan to **access bonds**, with approval of the California Department of Insurance.
- Enables the FAIR Plan to **secure a line of credit**, with approval of the California Department of Insurance.

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 226

Introduced by Assembly Members Calderon and Alvarez  
(Principal coauthors: Assembly Members *Bryan*, Harabedian, Irwin, Schiavo, *Schultz*, and Zbur)  
(Coauthors: Assembly Members *Addis*, *Berman*, *Connolly*, *Elhawary*, *Ortega*, *Pellerin*, *Ransom*, *Sharp-Collins*, and *Stefani*)

January 09, 2025

An act to add Section 63087.5 to, and to add Article 11 (commencing with Section 63049.75) to Chapter 2 of Division 1 of Title 6.7 of, the Government Code, and to add Section 10100.3 to the Insurance Code, relating to insurance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 226, as introduced, Calderon. California FAIR Plan Association.  
The California FAIR Plan Association is a joint reinsurance association in which all insurers licensed to write basic property insurance participate in administering a program for the equitable apportionment of basic property insurance for persons who are unable to obtain that coverage through normal channels. Existing law requires the association's plan of operation and any amendment to the plan to be approved by the Insurance Commissioner. Existing law establishes the California Infrastructure and Economic Development Bank and authorizes it to issue bonds to provide funds for the payment of costs of a project for a participating party or upon request by a state entity.

# FAIR Plan Depopulation Update

---

1. Collaborating with CDI on Sustainable Insurance Strategy (SIS)
2. Adequate rates (includes net cost of reinsurance, and catastrophe modeling)
3. Clearinghouse (ties with SIS, agent and broker driven process AB 3012 and SB 505)



# One Year Later: Eaton & Palisades Fires

---

One year since the Eaton and Palisades wildfires devastated Los Angeles communities

- ~5,400 claims handled by the FAIR Plan
- ~\$3.5 billion paid to policyholders to date
- Remaining claims largely tied to rebuilding and include claims that were previously closed and later reopened

# Handling Smoke-Related Claims: FAIR Plan's Policy

---

- The FAIR Plan **pays all covered claims, including smoke claims, consistent with California law** and its policy forms.
- The FAIR Plan's policy **requires direct physical loss** for coverage.
- **Independent adjusters are expected to make recommendations based on what they perceive at a loss location** in accordance with the California Unfair Practices Act, the Fair Claims Settlement Practices Regulations and all laws relating to property and casualty insurance claims handling.

# Response to LA Fire Disaster

---

- Expanded claims staffing by more than 200 desk examiners.
- Extended customer service hours and days during peak recovery.
- Participated in workshops led by the California Department of Insurance and other state and community leaders.
- Conducted daily broker webinars.
- Participated in the Palisades and Eaton FEMA disaster recovery centers and regional townhalls.



# Customer Service Enhancements

---

- Mandatory broker training implemented
- Claims operations restructured for surge events
- Enhanced website transparency and disclosures
- Updated dwelling policy form in coordination with CDI
- Continued focus on returning policyholders to the voluntary market



# Commitment to Transparency

---

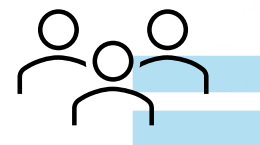
The FAIR Plan is working to ensure an open line of communication and access to information for the public.



Links to California  
Insurance Code Statute  
(sections 10090-10100.2)



FAIR Plan's  
Plan of Operation



Governing Committee  
Member Company List



Product Forms



Financial Reports  
& Information

# CDI Triannual Audit

---

- CDI audits insurance companies once every three years.
- CA FAIR Plan audit was conducted in 2021 (2020 fiscal year)
  - The auditors identified 32 recommendations for changes to the FAIR Plan based, in part, on industry best practices
  - The FAIR Plan has addressed many of these recommendations and provided feedback on those that were not addressed
- CDI auditors completed an audit in 2024 (2023 fiscal year)
  - No new findings were identified
  - Additional comments/recommendations on several of the findings that are in progress

# Looking Ahead

---

- FAIR Plan remains a temporary safety net
- Continued collaboration with CDI and the Legislature
- Focus on Sustainable Insurance Strategy and stabilizing the voluntary market
- Supporting depopulation efforts and transitions back to the voluntary market
- Ensuring coverage availability while maintaining financial sustainability







# Thank You

