About the FAIR Plan

Ensuring Basic Property Coverage for All Californians

The California FAIR Plan Association (FAIR Plan) is committed to ensuring all Californians have access to basic property coverage and the peace of mind they deserve. Basic property insurance covers specific perils, such as fire. A FAIR Plan policy can be supplemented with a Difference in Conditions policy available through the voluntary market, e.g., insurers who sell homeowners (HO-3) policies, to get coverage comparable to a comprehensive homeowners insurance product. The FAIR Plan was established in statute but is **not a state agency, not funded by taxpayers and is not subject to Proposition 103.** The FAIR Plan is funded primarily through the policies it sells to customers.

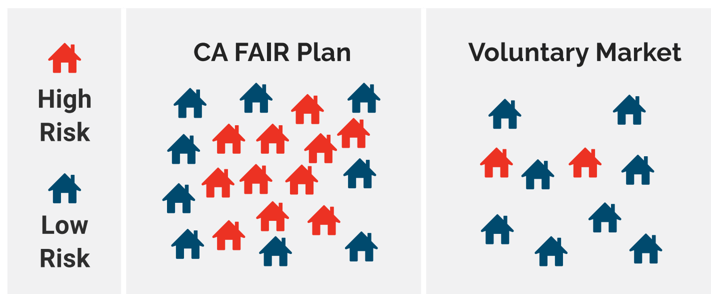
The FAIR Plan is a private association that exists to provide insurance to Californians who cannot find coverage through no fault of their own. The FAIR Plan serves as a temporary safety net for property owners until voluntary insurance coverage becomes available.

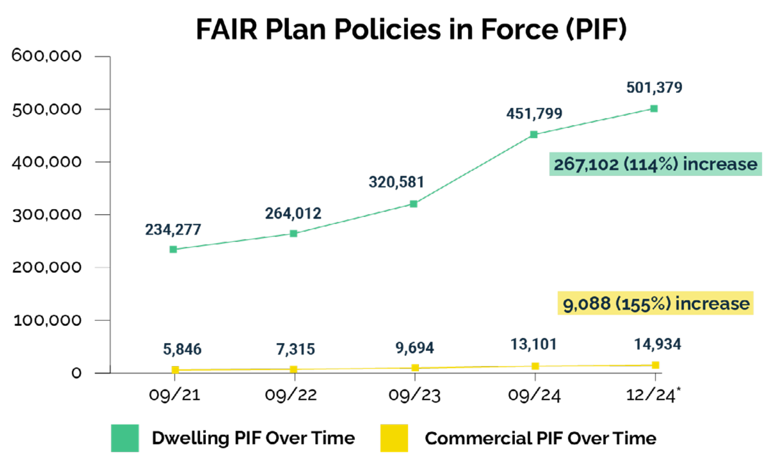
Insurer of Last Resort to Help Stabilize California's Property Insurance Market

Consumers benefit from a competitive insurance market in which they have real choice. The FAIR Plan is not intended to compete with or replace insurers in the voluntary market. The FAIR Plan supports policy solutions that help to **stabilize the insurance market, strengthen consumer choice and provide the last option for coverage** when it is unavailable in the voluntary market.

FAIR Plan Becoming Insurer of First Resort

- Increasing risks due to climate-driven wildfires and a lack of adequate insurance rates have resulted in fewer coverage options available to consumers in the voluntary market.
- As more voluntary insurers have declined to provide new coverage or renew existing policies, more Californians have turned to the FAIR Plan for the basic property coverage they need.





*12/24 represents the first three months of the 2025 fiscal year.

Growing Pool and High Concentration of Risk

- The FAIR Plan covers a significantly higher concentration of high-fire risk properties than voluntary insurers and typically has higher rates due to its elevated risk exposure. This high concentration of high-fire risk properties means the risk of a disaster affecting many policyholders at the same time is much higher for the FAIR Plan than voluntary insurers.
- The FAIR Plan's **risk exposure is $529 billion** as of December 2024; it was $167 billion in 2021.

FAIR Plan Rates and the Net Cost of Reinsurance

FAIR Plan **rates, by statute, must be actuarially sound** – meaning sufficient to provide adequate funds to pay the expected cost of claims and losses submitted by consumers as well as the FAIR Plan's operating expenses. The FAIR Plan proposes rates based on risk exposure, as determined by a certified actuary, administrative expenses and the net cost of reinsurance.

Reinsurance, referred to as "insurance for insurance companies," is a common and prudent business practice that helps insurers responsibly manage their financial risk by sharing it with other insurers. Insurance Code Section 10095 (b) authorizes the FAIR Plan to **purchase reinsurance.** The California Department of Insurance (CDI) reviews rate filings submitted by the FAIR Plan and regulates its rates.

Assessments

Continuing the FAIR Plan's current rate of growth without actuarially sound rates could have **adverse effects on consumers and the voluntary insurance market.** By statute, and with the approval of CDI, the FAIR Plan has the right to assess all insurers licensed who sell property insurance in California to pay for FAIR Plan losses.

In the mid-1990s, the Legislature took action to address concerns about assessments on the voluntary market by passing AB 1754 which requires FAIR Plan rates to be "actuarially sound so that premiums are adequate to cover expected losses, expenses and taxes" (Insurance Code Section 10100.2 (a)(1).)

To maintain the FAIR Plan's ability to pay ongoing claims from policyholders impacted by the recent Southern California wildfires as quickly as it can, the FAIR Plan accessed reinsurance, and on February 11, 2025, the California Insurance Commissioner **approved** the FAIR Plan's **request** to issue a $1 billion assessment of admitted market insurers. The FAIR Plan notified each admitted market insurer of their assessment responsibility. The FAIR Plan does not have a role in determining how insurers manage costs once an assessment is approved by the California Insurance Commissioner. The FAIR Plan continues to receive, manage and pay claims and has payment mechanisms in place to ensure all covered claims are paid for current and future wildfires. The FAIR Plan has reinsurance. Some of the reinsurance layers include a reinstatement provision that allows for the continuing availability of those layers if needed to help manage future losses.

Meeting Evolving Consumer Needs

The FAIR Plan is committed to meeting the evolving needs of consumers and continues to innovate to identify and address those needs. Recent changes implemented by the FAIR Plan include:

- Utilizing a new technology system to sustain the FAIR Plan's growth and provide enhancements such as monthly pay and increased policy limits
- Hosting and participating in educational webinars, town hall meetings and events for brokers, agents, consumers and other stakeholders
- Increasing staff and enhancing training and resources to address historic increases in inquiries, applications and policies in force
- Applying ZestyAI's wildfire risk analytics, as approved by the CDI, when setting rates for dwelling policies to distribute rates more equitably statewide and ensure properties receive risk-appropriate rate adjustments
- Offering additional payment options to help ease financial burdens on policyholders
- Allowing online credit card payment option

Partnering with Stakeholders to Help Address California Insurance Market Issues

The FAIR Plan collaborates with the CDI, Legislature, Governor's Office and other stakeholders to help meet the needs of consumers and mitigate insurance unavailability issues:

- Establishing write-out credits to incentivize voluntary insurers to cover higher-risk properties (AB 1816 - Daly)
- Extending coverage to farms and wineries (SB 11 - Rubio)
- Establishing a clearinghouse to help transition FAIR Plan policies to the voluntary market for dwelling policies (AB 3012 - Wood/Daly) and commercial policies (SB 505 - Rubio)
- Implementing new home hardening discounts for dwelling and commercial policyholders
- Extending and increasing dwelling coverage limits to $3 million
- Increasing commercial coverage limit to $20 million per location; collaborating with CDI to further increase commercial coverage limit to $20 million per building, up to $100 million per location