

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1680 (Calderon) – As Amended April 13, 2026

Policy Committee: Insurance Vote: 14 - 1

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill requires the California FAIR Plan Association (FAIR Plan) take corrective actions to address operational violations identified by the Insurance Commissioner (IC) and authorizes the IC to require the FAIR Plan offer certain levels and types of property insurance coverage.

Specifically, this bill:

- 1) Requires the FAIR Plan take actions to correct violations of applicable statutes, regulations, or rules identified by the IC after an examination or other operational report conducted by the IC, and requires the FAIR Plan be fined up to \$20,000 for each violation if the FAIR Plan fails to take corrective action within the timeframe agreed upon with the IC.
- 2) Authorizes the IC to require the FAIR Plan adjust the policy limits available under programs underwritten by the FAIR Plan and make additional coverage offerings available for fair rental value coverage under the FAIR Plan's renters' property insurance program.
- 3) Imposes a civil penalty of up to \$10,000 for each violation (\$20,000 if the violation was willful) of the FAIR Plan's enabling statute, grants the IC discretion to establish what constitutes a violation and the penalty amount, and sets related hearing procedures.

FISCAL EFFECT:

The Department of Insurance (CDI) anticipates no fiscal impact from this bill. However, it is possible for this bill to result in significant costs, in excess of \$150,000, if the IC hires additional staff to pursue enhanced enforcement of FAIR Plan statutes, regulations, and rules, partially offset by increased civil penalty revenue (Insurance Fund). The magnitude of costs depends on the number of violations and the staff workload required to agree upon a corrective action timeframe and follow other adjudication procedures. If the IC does not pursue such enforcement, CDI would likely not incur any costs.

COMMENTS:

- 1) **Purpose.** According to the author:

The California FAIR Plan is our property insurance safety net and we need this association to work for all Californians. As market conditions change, the FAIR Plan needs to evolve to meet these needs.

This measure tackles accountability and oversight of the FAIR Plan as California's insurance market continues to recover.

- 2) **Background. *Evolution of the FAIR Plan.*** The FAIR Plan is a private association of all licensed insurance companies created by the Legislature in 1968 to serve as the “insurer of last resort” for basic property insurance in the event of a market failure. Although originally envisioned to cover urban commercial property following the Watts Riots, the FAIR Plan expanded to include homeowners’ insurance across the state and, more recently, due to the continued risk of catastrophic wildfires and admitted market withdrawal, expanded to commercial coverage of farms, ranches, and other agricultural businesses. In many places, the FAIR Plan is the only insurer available to property owners. As of December 2025, the FAIR Plan’s policies in force reached over 668,000, representing a 4% increase since September 2025, and a 146% increase since September 2022.

FAIR Plan policies are capped at \$3.3 million for a residential property and \$20 million per structure, up to \$100 million, total, for commercial properties. Pursuant to existing law, a FAIR Plan policy is not as broad as a traditional homeowner’s insurance policy, but is a fully sound and guaranteed policy that satisfies a lender’s security requirements and protects the property against the primary risk factor of fire. A FAIR Plan policyholder can obtain a “difference-in-conditions” policy in the market to secure wraparound coverage that, when coupled with a FAIR Plan policy, results in the same protection provided by a standard homeowner’s insurance policy.

2025 Report of Examination. Existing law provides the IC the power of examination into the books, records, files, papers, and documents that relate to the operation of the FAIR Plan. Most recently, the IC conducted an examination between October 1, 2020, and September 30, 2023, which was filed on December 22, 2025. The examination evaluated the FAIR Plan’s financial condition, assessed corporate governance, identified current and prospective risks, and evaluated system controls and procedures used to mitigate those risks. Notably, the examination provided an update from the IC’s 2022 operational assessment of the FAIR Plan, which identified 32 findings, recommendations, and best practices that the IC concluded the FAIR Plan should implement. The 2025 examination found the FAIR Plan had not started or fully implemented 17 of those prior recommendations.

This bill requires the FAIR Plan to take actions to correct violations of applicable statutes, regulations, or rules identified in the report of examination or other operational report conducted by the IC and imposes a fine on the FAIR Plan if the FAIR Plan fails to take corrective action within a timeframe agreed upon by the IC. While this bill acknowledges the operational complexities of implementing certain recommendations by penalizing the FAIR Plan’s failure to take corrective action within an agreed upon timeframe, and not the occurrence of the violation itself, it is unclear how such timeframes will be set when there is disagreement between the two parties. For example, the IC has issued orders requiring the FAIR Plan to offer policyholders additional homeowner’s coverage, including theft, on-property liability, water damage, and snow damage, resulting in litigation by the FAIR Plan and a December 2025 court of appeals decision finding that the FAIR Plan is not required to offer expanded liability coverage due to legislative intent and ambiguity.

- 3) **Support and Opposition.** This bill is sponsored by IC Ricardo Lara, who argues “this measure modernizes governance, establishes meaningful enforcement tools, and authorizes

additional coverage options to better serve homeowners and renters in high-risk areas.” This bill is also supported by United Policyholders and various cities.

This bill is opposed by the FAIR Plan, unless amended to strike penalty language, arguing:

CDI already has broad authority to conduct examinations, identify violations of law, and take enforcement action where appropriate. Expanding enforcement authority to include mandatory compliance with all recommendations, regardless of whether a violation of law exists, represents a significant policy shift that warrants careful consideration.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081