SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1680 (Calderon) - California FAIR Plan Association

Version: June 22, 2026	**Policy Vote:** INS. 6 - 0
Urgency: No	**Mandate:** No
Hearing Date: August 3, 2026	**Consultant:** Janelle Miyashiro

Bill Summary: AB 1680 requires the California FAIR Plan Association (FAIR Plan) to take corrective action to rectify violations identified by the Insurance Commissioner in an examination or other operational report, and imposes civil penalties for noncompliance. AB 1680 also authorizes the Commissioner to require the FAIR Plan to adjust its policy limits and offer specified additional coverage options.

Fiscal Impact: The California Department of Insurance (CDI) does not anticipate a fiscal impact from the bill (Insurance Fund).

Staff notes there may be an unknown potential increase in enforcement workload for CDI to address noncompliance with the Commissioner's specified corrective actions, which may be offset to some extent by penalty revenue (Insurance Fund). It is possible that higher aggregate penalties may incentivize the FAIR Plan to contest enforcement actions through the administrative hearing process rather than opting for immediate compliance, which may increase administrative and adjudicatory workload. The magnitude of this workload would depend on the number and scope of violations, as well as any attached penalties.

Background: Although operated by the insurance industry rather than the state, the FAIR Plan is legally mandated to provide basic property coverage when traditional market options are unavailable, and it remains fully subject to California's consumer protection and claims-handling laws. Under current law, the Insurance Commissioner has the authority to examine the FAIR Plan's books, records, files, and operations to ensure this compliance.

Exercising this oversight, CDI initiated formal legal action on July 31, 2025, against the FAIR Plan by filing an Order to Show Cause. This enforcement action stemmed from a multi-year investigation and consumer complaints alleging that the FAIR Plan systematically denied or limited smoke damage claims, most notably following the Palisades and Eaton fires. CDI contends that the FAIR Plan based these denials on an arbitrary internal requirement for "permanent physical damage," resulting in at least 418 documented violations of Insurance Code section 790.03 for misrepresenting policy terms, failing to conduct fair investigations, and denying claims without a reasonable basis.

Following this legal action, the Commissioner filed a comprehensive examination of the FAIR Plan on December 22, 2025 (covering the period of October 1, 2020, to September 30, 2023). This examination evaluated the FAIR Plan's financial condition, assessed corporate governance, and evaluated system controls used to mitigate risks. Crucially, the examination provided an update on the Department's 2022 Operational

Assessment, which had required significant institutional changes and identified 32 specific recommendations. The 2025 examination revealed that the FAIR Plan had still not started or fully implemented 17 of those prior directives.

These regulatory actions against the FAIR Plan are part of a wider administrative effort by CDI to standardize and enforce property insurance compliance across California's broader market.

Proposed Law:

- Requires the FAIR Plan to take corrective action, as specified by the Commissioner, to rectify violations of applicable statutes, regulations, accounting principles, the plan of operation, or other legally binding rules identified in the report of examination or any other operational report.
    - Provides that if the FAIR Plan fails to take the specified corrective action within an agreed-upon timeframe, it shall be subject to a penalty of up to $20,000 for each failure to take correction action.
    - Authorizes the FAIR Plan to request 30-day extensions (or other greater extension approved by the Commissioner) for good cause in order to rectify violations. Authorizes the Commissioner to deny an extension request if it is deemed that the request was not made in good faith or that a good-faith effort to comply has not been made.
    - Provides that failure to take corrective action shall be determined per specific category of corrective action requested, as described in the examination.
- Authorizes the Commissioner to require the FAIR Plan to do both of the following:
    - Adjust the policy limits available under programs underwritten by the FAIR Plan.
    - Make additional coverage offerings available for fair rental value coverage under the FAIR Plan’s renters’ property insurance program.
- Provides for civil penalties not to exceed $10,000 for each act in violation, or not to exceed $20,000 if the act was willful, and requires the Commissioner to impose those penalties. Provides that the Commissioner has discretion to establish what constitutes an act.
- Makes technical, nonsubstantive changes.

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