
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 226 (Calderon) - California FAIR Plan Association

Version: June 16, 2025

Urgency: Yes

Hearing Date: August 18, 2025

Policy Vote: B., P. & E.D. 8 - 0, INS. 7 - 0

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: AB 226 authorizes the California Infrastructure and Economic Development Bank (IBank), upon the request of the California Fair Access to Insurance Requirements Plan Association (FAIR Plan), to issue bonds to finance the costs of claims, to increase liquidity, and claims-paying capacity of the FAIR Plan, and to refund bonds previously issued for that purpose. AB 226 also requires the FAIR Plan, with the approval of the Insurance Commissioner, to assess all members to pay all loan payments and the costs and expenses relating to a loan agreement with IBank, as well as to assess all members to repay a line of credit and its related costs and expenses.

Fiscal Impact:

- Unknown, one-time significant costs for IBank to facilitate the bond transaction, which will be recovered from bond sale proceeds. IBank's overall costs of issuance will depend on the size of the bond.

For comparison, IBank issued approximately \$750 million in bonds to the California Insurance Guarantee Association in 2004. IBank's total costs of issuance were approximately \$14 million. To the extent that a bond of similar size is issued to the FAIR Plan, IBank's cost of issuance may range into the tens of millions of dollars. IBank notes that since its costs will be recovered from bond sale proceeds and the FAIR Plan will be responsible for bond repayment, IBank does not anticipate any General Fund costs pressures.

- The California Department of Insurance does not anticipate a fiscal impact.

Background: According to IBank's website, IBank was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy and improve the quality of life in California communities. IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. IBank's current programs include the Infrastructure State Revolving Fund Loan Program, California Lending for Energy and Environmental Needs Center, the Climate Catalyst Revolving Loan fund, Small Business Finance Center and the Bond Financing Program.

Proposed Law:

- Provides that that a financing of the costs of claims or to increase liquidity and claims-paying capacity upon the request of the FAIR Plan are in the public interest and eligible for financing by IBank.

- Provides that IBank shall not have authority over any matter subject to the approval of the Insurance Commissioner but that IBank has the right to enforce all obligations of the FAIR Plan under the agreements relating to bonds issued.
- Authorizes IBank to issue taxable or tax-exempt bonds to finance the costs of claims or to increase liquidity and the FAIR Plan's claims-paying capacity and to refund bonds previously issued for that purpose.
 - Authorizes IBank to loan the proceeds of bonds to the FAIR Plan and specifies that bond proceeds may also be used to fund necessary reserves, capitalized interest, credit or liquidity enhancement costs, and costs of issuance.
- Provides that bonds issued pursuant to this bill shall not be deemed to constitute debt or liability to the state or a pledge of the faith and credit of the state, but shall be payable solely from the fund and other revenues and assets securing the bond.
- Authorizes the FAIR Plan to request the IBank to: issue bonds from time to time to finance all or any portion of the costs of claims or to increase liquidity and claims-paying capacity; enter into loan agreements with the IBank; enter into line of credit agreements with one or more institutional lenders, or one or more broker-dealers, for the purpose of financing the costs of claims or to increase liquidity and claims paying capacity and to refund lines of credit previously incurred for that purpose; secure those loan agreements or line of credit agreements by a pledge of, and the grant of a lien and security interest in, collateral, including premiums, revenues, and receivables; and, enter into any other agreement or take any other action necessary or convenient to the execution and delivery of loan agreements or line of credit agreements.
- Requires the FAIR Plan to, with the approval of the commissioner, assess all members to repay all obligations with respect to a loan agreement or a line of credit and all the costs and expenses with respect to that loan agreement or line of credit.
- States the measure is an urgency statute necessary for insurance consumers to obtain adequate policy coverage from the FAIR Plan as soon as possible in light of California's severe property insurance availability crisis.

Related Legislation: AB 2996 (Alvarez, 2024) was identical to this bill and would have likewise authorized the IBank, upon the request of the FAIR Plan, to issue bonds to finance the costs of claims, to increase liquidity, and claims-paying capacity of the FAIR Plan. AB 2996 died on the Senate Inactive File.

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