
THIRD READING

Bill No: AB 226
Author: Calderon (D) and Alvarez (D), et al.
Amended: 6/16/25 in Senate
Vote: 27 - Urgency

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 8-0, 6/9/25
AYES: Ashby, Choi, Archuleta, Arreguín, Grayson, Niello, Strickland, Umberg
NO VOTE RECORDED: Menjivar, Smallwood-Cuevas, Weber Pierson

SENATE INSURANCE COMMITTEE: 7-0, 6/25/25
AYES: Rubio, Niello, Becker, Caballero, Jones, Padilla, Wahab

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/29/25
AYES: Caballero, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 77-0, 4/1/25 - See last page for vote

SUBJECT: California FAIR Plan Association

SOURCE: California Department of Insurance and California Building Industry Association

DIGEST: This bill is an urgency measure that 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. This bill 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.

ANALYSIS:

Existing Law:

- 1) Establishes the Bergeson-Peace Infrastructure and Economic Development Bank Act and creates the IBank and authorizes IBank to make loans, issue bonds, and provide other economic development assistance, among other things. (Government Code (GC) §§ 63000 and 63050 *et seq.*)
- 2) Establishes the FAIR Plan formed by insurers licensed to write and engaged in writing basic property insurance in California to assist persons in securing basic property insurance and to formulate and administer a program for the equitable apportionment among insurers of basic property insurance. (Insurance Code (IC) § 10091 (a))
- 3) States that the FAIR Plan was established to assure stability, to assure the availability, to encourage maximum use, and to provide for equitable distribution among admitted insurers of the responsibility for insuring qualified property for which basic property insurance cannot be obtained through the normal insurance market. (IC § 10090)
- 4) Specifies that rates for the FAIR Plan shall not be excessive, inadequate, or unfairly discriminatory, and shall be actuarially sound so that premiums are adequate to cover expected losses, expenses and taxes, and shall reflect investment income of the plan. (IC § 10100.2)

This bill:

- 1) Specifies 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. 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. Clarifies 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.

- 2) Authorizes the FAIR Plan, if granted prior approval from the Insurance Commissioner, to:
 - a) Request that IBank 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
 - b) Enter into loan agreements with IBank.
 - c) 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.
 - d) 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.
 - e) 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.
- 3) Requires the FAIR Plan, with the approval of the Insurance Commissioner, to assess all members to repay all loan agreement obligations and all lines of credit.

Background

IBank and Infrastructure Loans. According to its website, IBank exists within GO-Biz and “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.”

FAIR Plan. According to a background report prepared in advance of an Assembly Committee on Insurance oversight hearing of the FAIR Plan held in March 2024,

the FAIR Plan is an association of all insurance companies licensed by the California Department of Insurance that provides basic property and casualty insurance in California. It was created in 1968, following urban disturbances, notably the Watts Riots in Los Angeles. The purpose of the FAIR Plan is to be the insurer of last resort for basic property insurance in the event of a market failure. At inception, that was urban commercial property. Ultimately, it has expanded to include homeowners' insurance anywhere in the state, provided that the insurance cannot be obtained in the normal manner in the market. At origination, the FAIR Plan was not intended to compete with the admitted market but that point is now debatable. The FAIR Plan was established to ensure that urban property owners, mostly businesses, would have fair access to the property insurance necessary to continue to operate in a market that insurers viewed as too risky to cover.

On September 21, 2023, Governor Newsom issued an Executive Order that directed the Insurance Commissioner to “take prompt regulatory action to strengthen and stabilize California’s marketplace for homeowners insurance and commercial property insurance, and to consider whether the recent sudden deterioration of the private insurance market presents facts that support emergency regulatory action.” It included direction to maintain the solvency of the FAIR Plan to protect its policyholders and promote long-term resiliency in the face of climate change, including identifying mechanisms to reduce its share of the overall market in underserved areas and move its customers into the admitted insurance market.

As noted in the background report, “the FAIR Plan was created as a temporary safety net for policyholders. The goal should continue to be moving FAIR Plan policyholders back into the admitted market, hence the creation of the clearinghouse programs. Fortunately, the Insurance Commissioner’s Sustainable Insurance Strategy seeks to tackle the bigger insurance market picture in its entirety. Actions taken that continue to encourage FAIR Plan growth should be considered temporary solutions, if the goal is to return the FAIR Plan back into the ‘insurer of last resort.’ When the growth of the FAIR Plan begins to stabilize or decrease, that will be the signal that the admitted market is back in business.”

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: No
This bill is keyed fiscal by Legislative Counsel. According to the Senate Committee on Appropriations, the bill will result in one-time costs of an unknown, but likely significant amount to the IBank to facilitate the bond transaction, which would likely be recovered from bond sale proceeds. The bill is not anticipated to have any fiscal impact on the California Department of Insurance.

SUPPORT: (Verified 8/29/25)

California Building Industry Association (co-source)
Insurance Commissioner Ricardo Lara / California Department of Insurance (co-source)
American Property Casualty Insurance Association
Association of California Cities - Orange County
Boma California
California Apartment Association
California Association of Community Managers
California Association of Realtors
California Association of Winegrape Growers
California Building Officials
California Business Properties Association
California Business Roundtable
California Chamber of Commerce
California Fair Plan Association
California Farm Bureau Federation
California Mortgage Bankers Association
California State Association of Counties
City of Lake Forest
City of Los Alamitos
City of Riverside
East Bay Wildfire Coalition of Governments
Eden Housing
Fieldstead and Company
Habitat for Humanity California
Independent Insurance Agents & Brokers of California, Inc.
Institute of Real Estate Management
Los Angeles County Business Federation
NAIOP California
New California Coalition
Orange County
Orange County Business Council
Orange County Taxpayers Association
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California
San Bernardino County
San Diego County
San Gabriel Valley Council of Governments
Southern California Association of Governments
Southern California Leadership Council
Southwest California Legislative Council

SPUR

The Two Hundred

Tri County Chamber Alliance

United Policyholders

OPPOSITION: (Verified 8/29/25)

None received

ARGUMENTS IN SUPPORT: Supporters write that “Without AB 226, under current California law, there is no mechanism for insurers to immediately address these assessments, and their only option to reduce exposure is to non-renew existing policies (Some insurers have already started non-renewing policies due, in part, to the FAIR Plan exposure.). To ensure financial stability of the FAIR Plan, AB 226 would authorize the FAIR Plan to request IBank issue bonds and levy special bond payment assessments upon member insurers. This will allow for a more gradual repayment process of the IBank loan over a period of time (normally 10 years). Under current law, insurers must pay FAIR Plan assessments within 30 days.”

ARGUMENTS IN OPPOSITION:

ASSEMBLY FLOOR: 77-0, 4/1/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, DeMaio, Dixon, Elhawary, Ellis, Essayli, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wilson, Zbur, Rivas

NO VOTE RECORDED: Alvarez, Davies, Wicks

Prepared by: Sarah Mason / B., P. & E.D. /

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