
THIRD READING

Bill No: AB 234
Author: Calderon (D), et al.
Introduced: 1/13/25
Vote: 27 - Urgency

SENATE INSURANCE COMMITTEE: 5-0, 6/25/25
AYES: Rubio, Becker, Caballero, Padilla, Wahab
NO VOTE RECORDED: Niello, Jones

ASSEMBLY FLOOR: 66-0, 4/7/25 - See last page for vote

SUBJECT: California FAIR Plan Association governing committee

SOURCE: Author

DIGEST: This bill requires the Speaker of the Assembly and the Chairperson of the Senate Committee on Rules, or their designee, to serve as non-voting, ex officio members of the California Fair Access to Insurance Requirements Plan (FAIR Plan) Governing Committee.

ANALYSIS:

Existing law:

- 1) Establishes the FAIR Plan to assure the stability of the property insurance market, to assure the availability of basic property insurance, as defined, to encourage maximum use of the normal insurance market in obtaining basic property insurance provided by admitted insurers and licensed surplus line brokers.
- 2) Provides, as part of the FAIR Plan, for the 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.

- 3) Stipulates that the FAIR Plan Governing Committee be composed of nine annually elected insurers, as well as the following non-voting members: one representative of insurance agents, one representative of insurance brokers, one representative of surplus lines brokers, and one representative of the public, each appointed by the Governor.

This bill:

- 1) Requires the Speaker of the Assembly and the Chairperson of the Senate Committee on Rules, or their designee, to serve as non-voting, ex officio members of the FAIR Plan Governing Committee.
- 2) Would take effect immediately as an urgency statute.

Background

FAIR Plan Governing Committee. According to its Plan of Operation, the FAIR Plan is administered by a Governing Committee (Committee), subject to the supervision of the Insurance Commissioner, and operated by a President appointed by the Committee. The nine voting members of the Committee are usually comprised of two members of the American Property Casualty Insurance Association, one member from an insurer owned by shareholders, known as “stock insurers”, one member from a non-stock insurer, and five members from at-large insurers. Furthermore, participating insurer members cannot be from the same group under the same management or ownership, as another. These voting members serve for one year or until their successors are elected by the admitted insurers who make up the FAIR Plan. Additionally, the four previously mentioned non-voting members serve on this Committee.

Status of the FAIR Plan’s Exposure and Policy Count. According to the FAIR Plan, as of March 2025, the FAIR Plan’s total exposure, or total potential for loss, is \$599 billion, reflecting a 31% increase since September 2024 (prior fiscal year-end) and a 259% increase since September 2021 (Fiscal Year End 2021). Furthermore, as of March 2025, the FAIR Plan’s total number of dwelling and commercial policies is 573,739 reflecting a 23% increase since September 2024 (prior fiscal year-end) and a 139% increase since September 2021 (Fiscal Year End 2021).

FAIR Plan Transparency Update. As of May 2025, the FAIR Plan has made additional operational information available on its website. This information includes its Plan of Operation, Governing Committee membership, certain

financial reports, dwelling and commercial coverage forms, and relevant statutory provisions.

Related/Prior Legislation

AB 69 (Calderon, 2025). Would require a broker of record to determine if a FAIR Plan policy can be moved to the voluntary market before the policy is renewed. This bill is pending in Senate Insurance Committee.

AB 1844 (Calderon, 2024). Would have required the Speaker of the Assembly and the Chairperson of the Senate Committee on Rules to serve as non-voting, ex officio members of the Governing Committee, and would have authorized each to name a designee to serve in their place. This bill was not heard in Senate Insurance Committee.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 6/25/25)

Insurance Commissioner Ricardo Lara/California Department of Insurance
California Democratic Party Rural Caucus

OPPOSITION: (Verified 6/25/25)

Consumer Federation of California

ARGUMENTS IN SUPPORT:

According to Insurance Commissioner Ricardo Lara:

“We must reverse the trend of a growing FAIR Plan if we are going to safeguard the state’s admitted insurance market as a whole. While I have made many reforms to the FAIR Plan since I first took office, further improvements are needed to serve its legislatively intended purpose of creating stability in the property insurance market, while providing consumers with the best possible customer service. This is why a crucial element of my Sustainable Insurance Strategy focuses on modernizing a growing FAIR Plan, allowing rates to reflect catastrophe modeling and California reinsurance only if insurers commit to writing more policies in wildfire risk areas. With my support, the Legislature created FAIR Plan Clearinghouse programs for both residential policies (AB 2012, Wood, Chapter 258, Statutes of 2020) and commercial policies (SB 505, Rubio, Chapter 180,

Statutes of 2023), which is a list of policies that companies pull from the FAIR Plan to reduce the numbers. Access to FAIR Plan coverage is more critical than ever as we face the devastating wildfires sweeping across California.

The FAIR Plan was established by the Legislature and Governor – and it must work harder to be more accountable to the public. By establishing additional nonvoting members on the FAIR Plan’s Governing Committee, AB 234 will help further needed transparency of this insurance safety net while supporting legislative policymakers’ oversight efforts.”

ARGUMENTS IN OPPOSITION:

According to the Consumer Federation of California:

“When compared to most of the other similarly situated ‘insurer of last resort’ programs in 30+ states, the California FAIR Plan is one of the most opaque, if not the most opaque, of all such programs. Indeed, as recently as March 2025 the current Insurance Commissioner stated that the FAIR Plan needed to be more transparent. But CDI has had this core information for almost three years and is supporting AB 234. Yet the only thing AB 234 does is to add two legislative leaders, or their designees, as non-voting ex officio members of the FAIR Plan Governing Committee. This is wholly insufficient and it is unclear if this would even make any difference at all to transparency.

For AB 234 to make any meaningful public contribution to FAIR Plan transparency it will need to go significantly beyond its current contents. For example, the FAIR Plan should be required to publicly disclose their financial statements, or at least key elements of such financial statements. It needs to significantly open up to be much more transparent, especially in the wake of the FAIR Plan's growing policy count, premium dollars collected and market share. And perhaps before going to all policyholders to cover half of the \$1 billion shortfall the FAIR Plan announced earlier this year, FAIR Plan member companies should refund previous year’s dividends. Those three items would be a useful beginning to a bill that actually accomplished something meaningful in terms of reforming the FAIR Plan and its operations. However, as currently drafted AB 234 falls far short of what is minimally necessary to truly protect consumers.”

ASSEMBLY FLOOR: 66-0, 4/7/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Hoover, Irwin,

Jackson, Kalra, Krell, Lackey, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Bauer-Kahan, Bennett, Castillo, Gallagher, Jeff Gonzalez, Hadwick, Lee, Macedo, Ransom, Sanchez, Ta, Tangipa, Wallis

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