

CONCURRENCE IN SENATE AMENDMENTS

CSA1 Bill Id:AB 290 Author:(Bauer-Kahan)

As Amended Ver:September 5, 2025

Majority vote

SUMMARY

Requires, by April 1, 2026, the FAIR Plan to create a system and accept automatic payments for policyholder premiums.

- 1) Prohibits the cancellation or non-renewal of a FAIR Plan policy solely because the policyholder is not enrolled in automatic payments.
- 2) Requires the FAIR Plan to provide a 10-day period for any policyholder to pay an outstanding installment premium, in alignment with existing law.

Senate Amendments

Made clarifying and technical changes.

COMMENTS

The California FAIR Plan – "Fair Access to Insurance Requirements" – is an "association" of all insurance companies licensed by the California Department of Insurance (CDI) that provides basic property and casualty insurance in California. It was created in 1968, following urban disturbances from the Watts Riots in Los Angeles.

Simply stated, 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 essentially 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. That risk evaluation resulted in a substantial market withdrawal by insurers from the urban property market. Despite its initial creation as an urban/business "insurer of last resort," the FAIR Plan expanded to provide coverage in "designated" brush fire regions of the state. It operated fairly well in this manner until the mid-1990's, when, as a consequence of the genuine homeowners' insurance crisis that followed the Northridge earthquake in 1994, the entire state was designated as the appropriate FAIR Plan coverage region. Today, the FAIR Plan covers all parts of California.

FAIR Plan policies are capped at \$3.3 million for residential properties and \$20 million per structure for commercial properties. These caps were increased by the Insurance Commissioner in 2020 for residential and in 2023 for commercial. Commercial went from \$8.4 million per location in 2021, to \$20 million per location in 2023, to \$20 million per structure subsequently in 2023.

By statute, the FAIR Plan policy is not as broad as traditional homeowners' policies. It is, nonetheless, a fully sound and guaranteed policy that satisfies lenders' security requirements and protects the property against the primary risk factor faced by homeowners, which is [wild]fire. Other coverages are readily available in the market (typically through the purchase of a "difference-in-conditions" or "DIC" policy), which provide wraparound coverage that, coupled with a FAIR Plan policy, result in the same protection provided by a standard homeowner's policy. Because the FAIR Plan's role is to provide coverage when the regular market won't, it is not necessarily the role of the FAIR Plan to provide DIC policies when there is a healthy market for those policies.

According to the Author

"Severe wildfires are becoming more frequent in California, with thousands of homes and millions of acres at risk each year. With this increased risk, it is imperative that stable insurance coverage is accessible for all Californians. AB 290 requires the California FAIR Plan to establish and accept automatic payment systems for policyholders, thus providing safeguards against cancellations or nonrenewals due to missed manual payments. AB 290 further provides grace periods, ensuring policyholders have a chance to fix payment mistakes before coverage is disrupted. By requiring accessible payment options, AB 290 promotes fairness and prevents unintentional lapses in coverage— an essential component in protecting Californians from greater financial distress as the state faces worsening wildfire seasons."

Arguments in Support

According to California's Insurance Commissioner Ricardo Lara, "AB 290 helps prevent unintentional policy lapses due to missed or delayed payments – a common risk for vulnerable policyholders in high-risk fire zones. This bill enhances financial security and ensures continuous coverage, strengthening consumer protections and promoting greater stability within California's insurance safety net."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, costs of approximately \$61,000 in fiscal year (FY) 2025-26, \$67,000 in FY 2026-27, and \$108,000 in FY 2027-28 and annually thereafter to the Department of Insurance to manage consumer outreach regarding automatic payment processing issues (Insurance Fund).

VOTES:**ASM INSURANCE: 16-0-1**

YES: Calderon, Wallis, Addis, Alvarez, Ávila Farías, Berman, Chen, Ellis, Gipson, Hadwick, Harabedian, Krell, Nguyen, Petrie-Norris, Michelle Rodriguez, Valencia

ABS, ABST OR NV: Ortega

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 75-0-4

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, 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, Wicks, Wilson, Zbur, Rivas

ABS, ABST OR NV: Dixon, Flora, Jeff Gonzalez, Papan

UPDATED

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