

The FAIR Plan is 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.

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. After the 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 Growth. Increasing risks due to climate-driven wildfires and a lack of adequate insurance rates have resulted in fewer coverage options available to consumers in the voluntary market. As more insurers have declined to provide new coverage or renew existing policies, more Californians have turned to the California FAIR Plan for the basic property coverage they need.

As of December 2025, the FAIR Plan’s total exposure is \$724 billion, representing a 230% increase since September 2022. The FAIR Plan currently has 668,609 policies in force, representing a 146% increase since September 2022.

Residential Context. In June 2025, overall residential exposure on the FAIR Plan was approximately \$602.7 billion. The areas with the largest exposure include Truckee, Lake Arrowhead, Placerville, and Beverly Hills.

Between September 2024 and June 2025, the residential exposure of the FAIR Plan increased by \$100 million or more in approximately 26% of California ZIP codes. Particularly large increases in exposure, more than \$1 billion per ZIP code, occurred in areas west of Santa Monica and Los Angeles affected by fires in early 2025. Overall, residential exposure on the FAIR plan has increased by approximately \$172 billion in this period.

Residential exposure on the FAIR plan has increased by approximately \$487 billion from 2020-2025. Much of this increase is concentrated in ZIP codes adjacent to urban areas in Southern California, in Gold Country and the Sierra Nevada east of Sacramento, and in the San Francisco and Monterey Bay regions (see figure below).

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Top 20 ZIP Codes by Increase in FAIR Plan Residential Exposure (2020 - 2025)

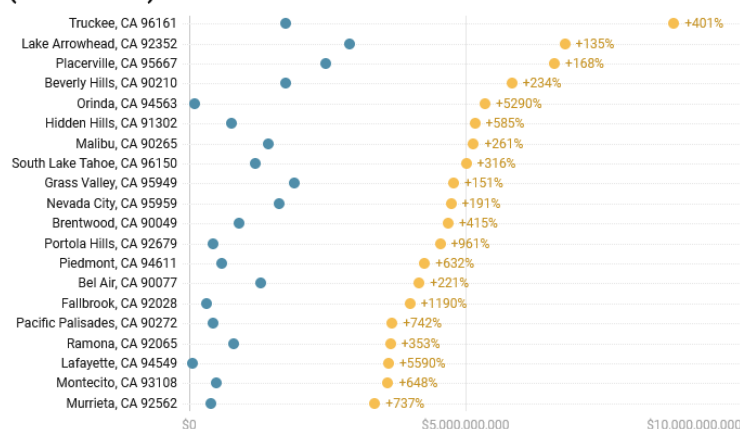


Chart: Avery Bick, Stanford Climate and Energy Policy Program • Source: CA FAIR Plan • Get the data • Embed • Download image • Created with Datawrapper

Hazard versus risk. The Federal Emergency Management Agency (FEMA) defines hazard and risk in the IS-393 Introduction to Hazard Mitigation course:

Hazard	<i>A hazard</i> is an act or phenomenon that has the potential to produce harm or other undesirable consequences to a person or thing. Hazards exist with or without the presence of people and land development. Earthquakes, hurricanes, tornadoes, and other geological and meteorological events have been occurring for a very long time, and the natural environment adapted to their impacts. Hazard identification is the process of identifying hazards that threaten a given area.
Vulnerability	<i>Vulnerability</i> is susceptibility to physical injury, harm, damage, or economic loss. It depends on an asset’s construction, contents, and economic value of its functions. Vulnerability assessment provides the extent of injury and damages that may result from a hazard event of a given intensity in a given area.
Exposure	<i>Exposure</i> is the people, property, systems, or functions that could be lost to a hazard. Generally exposure includes what lies in the area the hazard could affect.
Risk	<i>Risk</i> depends on all three factors: hazard, vulnerability, and exposure. Risk is the estimated impact that a hazard would have on people, services, facilities, and structures in a community. It refers to the likelihood of a hazard event resulting in an adverse condition that causes injury or damage.

In short, a hazard has the potential to harm a person or thing; risk is the likelihood of that harm. Risk can be reduced by implementing mitigation measures, such as those identified in the Action Plan, that impact vulnerability and exposure.

Existing Law:

- 1) Establishes the Department (PRC §701).
- 2) Establishes the OSFM within the Department and the SFM as a Chief Deputy Director at the Department (HSC § 13100).

- 3) Establishes the Task Force (PRC §4005).
- 4) Requires the Task Force to update the Action Plan every five years, beginning March 1, 2026 (PRC §4771(f)).
- 5) Provides for the classification of lands within the State Responsibility Area (SRA) in accordance with the severity of fire hazard present for the purpose of identifying measures to be taken to slow the rate of fire spread and reduce the potential intensity of uncontrolled fires that threaten to destroy resources, life, or property (PRC § 4201).
- 6) Requires the SFM to identify areas in the state as moderate, high, and very high fire hazard severity zones based on fuel loading, slope, fire weather, other relevant factors, and wind (Government Code (GOV) § 51178).
- 7) 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. (Insurance Code (Ins. Code) § 10090).
- 8) Specifies that rates for the FAIR Plan shall not be excessive, inadequate, or unfairly discriminatory, shall be actuarially sound so that premiums are adequate to cover expected losses, expenses and taxes, and shall reflect investment income of the plan. (Ins. Code § 10100.2).

PROPOSED LAW

This bill would require the Department to recommend, on or before June 30, 2027, and in consultation with CDI and the FAIR Plan Association, to make recommendations to prioritize state efforts to reduce wildfire hazards in the wildland-urban interface for ZIP codes that have seen the largest increase in FAIR Plan policies sold since 2019.

ARGUMENTS IN SUPPORT

According to the author, “For many Californians in the wildland-urban interface, the 2025 wildfire season didn’t just threaten their lives, it threatened their ability to stay in their homes. Families are being pushed to the financial brink, with many forced onto the FAIR Plan as their last and only option for insurance. SB 1162 directs [the Department] to prioritize wildfire reduction in ZIP codes where homeowners are suffering most from skyrocketing costs and shrinking coverage. Leveraging [the Department’s] expertise to mitigate risk where the insurance market is failing will provide a lifeline for our rural communities and a path back to affordability for every hardworking homeowner in the line of fire.”

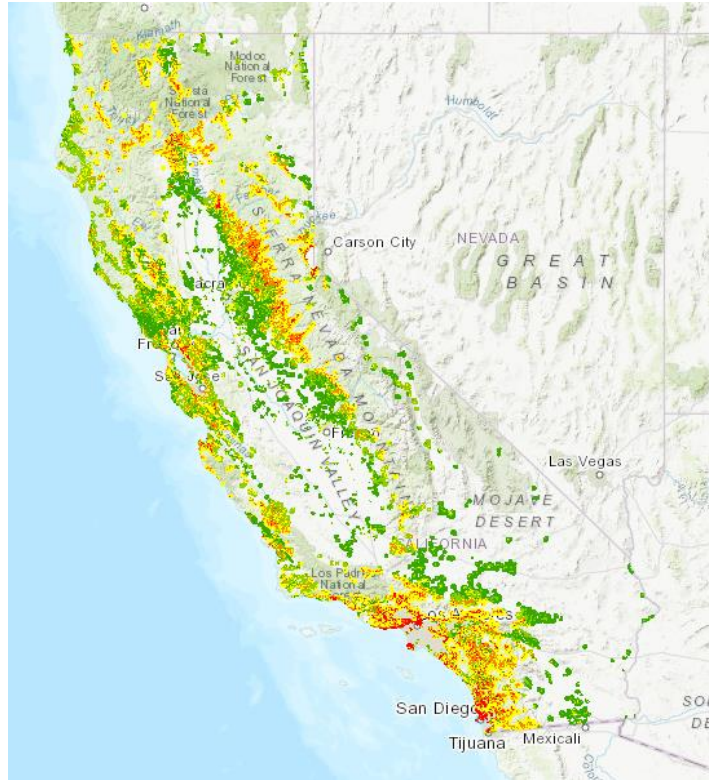
ARGUMENTS IN OPPOSITION

None received.

COMMENTS

Department Priority Landscape map. The Department maps priority landscapes where communities are at risk from wildfire in order to direct resources to reduce wildfire risk in those areas. The priority landscape ranking varies from 1 (least risk) to 5 (greatest risk). Communities are defined by housing densities – less dense areas

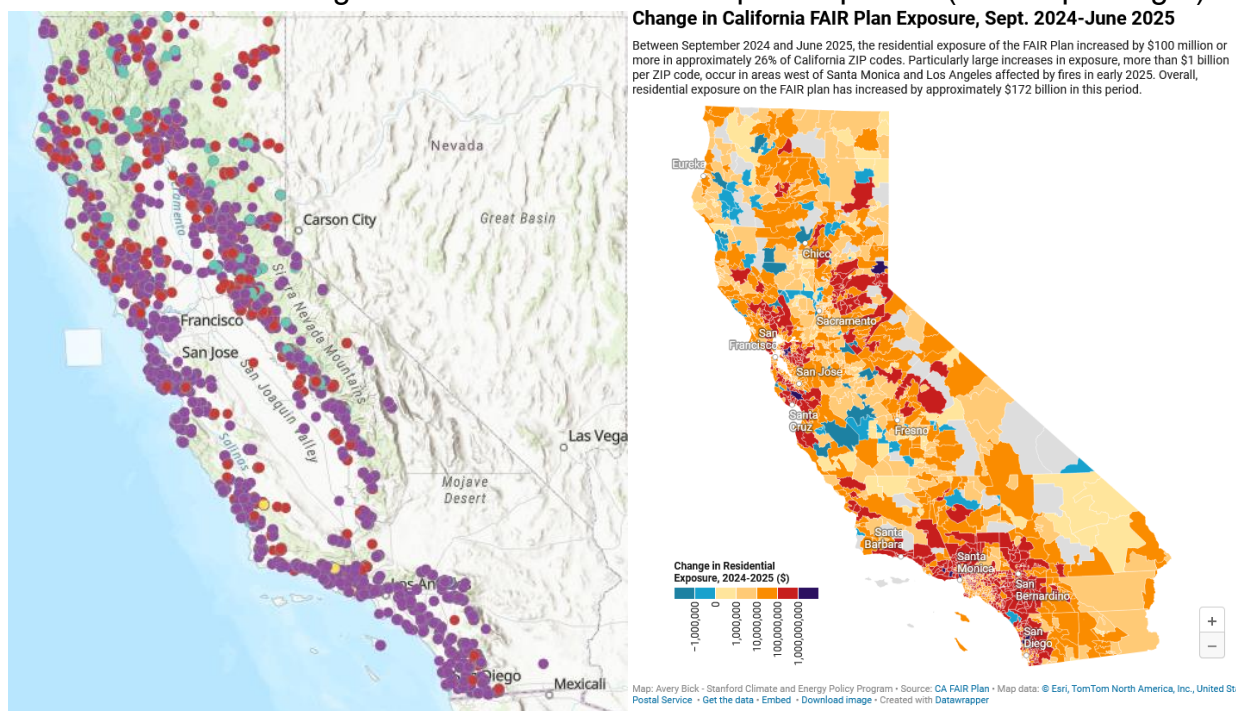
receive lower value and higher densities receive higher value. The threat to the communities is Fire Hazard Severity, derived from the Department's Fire Hazard Severity Zones (FHSZ). The ranked asset and ranked threat were combined to derive the final ranked priority landscape. The results were ranked from the lowest risk of 1 (green) to the highest risk of 5 (red). See Priority Landscapes map below.



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Interagency Treatment Tracker Shows Alignment with FAIR Plan Policy Increases.

Since 2021, the Task Force has hosted an Interagency Treatment Tracker dashboard that shows vegetation management projects across the state undertaken by state, federal, and local agencies as well as industrial timber companies to reduce the risk of wildfire. Since 2021, the Department has treated 269,789 acres with mechanical and hand fuels reduction, prescribed fire, tree planting, targeted grazing, and timber harvest. Other state agencies have performed similar work for a total of 293,959 acres of treatment on private, non-industrial land across the state. When one compares the vegetation treatment locations on a map to a map of the increase in FAIR Plan exposure, there is significant overlap between the geographic areas. In particular, there is a high density of treatments in coastal southern California, the San Francisco Bay Area, and the Sierra Nevada Foothills above Sacramento (see map on left) – all of which are areas showing marked increases in FAIR plan exposure (see map on right).



Is this bill an empty promise? This bill promises to “improve both the availability and affordability of homeowners’ insurance,” but the author has not provided any information from insurance companies indicating implementation of this bill would bring them back to a given market.

Insurance companies evaluate risk to their portfolio and make choices about where to insure based on the level of risk to a given property. Insurance companies respond to this risk by raising rates or declining to insure a property, which consumers respond to by enrolling in the FAIR Plan. The Department also evaluates risk to determine where wildfire mitigation projects would be most effective. The Department responds to this risk by identifying priority areas for risk mitigation and implementing projects in those areas. As identified by the maps above, there is significant overlap between those areas of the state where insurance companies have left the market and the Department has prioritized and implemented vegetation management projects.

A local prioritization issue? In the last five years, the author's district has received approximately \$181 million in grants from the Department, funding 132 projects.

Information provided by the author's office indicates that many communities on the FAIR plan in her district are receiving grants for fuel breaks, hazard tree removal, and evacuation route clearing. However, the author's office argues these projects are not enough to reduce the risk profile enough for insurers to re-enter the market.

For example, the Tahoe Truckee Airport District received a 2024 grant for fuel reduction, but this is limited to airport-adjacent lands and does not address surrounding residential zones. Calaveras County received grants for evacuation route clearing, but local leaders have noted these do not cover the massive private-land fuel reduction required to lower regional risk profiles.

This bill does not address whether local officials are elevating grant applications with an eye towards improving a region's residential risk. The Department and other state agencies can only fund the projects presented to them; if areas with high FAIR plan enrollment wish to reduce reliance on the FAIR Plan, grant applications with a direct nexus to reducing risk as determined by insurance companies should be those forwarded by local agencies to the state for funding.

Addressing Project Prioritization and Funding in the 2026 Draft Action Plan. The 2026 draft Action Plan addresses issues of local prioritization and funding alignment, establishing several "key actions" related to community-level resilience, the treatment of high-hazard landscapes, and regional block grants that provide multi-year funding for a suite of regional actions that will reduce risk. Proposition 4 allows state departments to combine funding to more efficiently manage funds and streamline administration of Proposition 4 funding.

Additionally, local risk mitigation prioritization is addressed in SB 973 (Becker), which implements a Wildfire County Coordinator Program in the Department. In this bill, the Department is required to develop guidance and tools used by the local coordinators to support county-level risk assessment, wildfire planning, and project prioritization. SB 973 passed this Committee on March 24 with a vote of 7-0.

Two other bills this Legislative year also address project and funding prioritization: SB 1270 (Richardson, prioritizing funding to ten counties with the greatest risk of wildfire and social vulnerability) and SB 1297 (Allen, allow local entities to form Joint Powers Authorities for regional wildfire mitigation collaboratives). These bills are pending before this Committee.

Reducing Hazard versus Risk. According to the OSFM,

"Fire hazard reflects the potential for damage to occur to vulnerable resources or assets but does not include a measure of how vulnerable resources are. FHSZ is a tool that can help identify where actions should be taken to mitigate fire risk. Higher hazard implies that compared to other areas of the state, a fire is either more likely to occur, would occur with more intense fire behavior, or both. Because FHSZ is intended for long term planning purposes it does not account

for short-term fire mitigation efforts such as fuel reduction or defensible space that may change over the long term.”

[...]

“[Wildlife Urban Interface] codes are mitigations to reduce the risk of damage to structures.”

[...]

“Firewise community activities are targeted at reducing the risk to communities from the associated hazard and are consequently almost always in communities that have FHSZ zones in them.”

[...]

“FHSZ is a tool that can help identify where actions should be taken to mitigate fire risk, not a measure of whether or not mitigations have been done.”

[...]

“Mitigations are important for reducing wildfire risk in hazardous areas. [...] As FHSZ measured potential hazard, it serves as the basis for needing mitigations.”

Mitigation measures temporarily reduce wildfire risk. Vegetation grows back and needs to be maintained. Roofs and other building features need replacing over time. An activity that might reduce the underlying hazard is, for example, grading a hillside so that the slope of the hill, that previously may have been steep enough to promote active fire growth, is reduced to such a degree (or eliminated entirely) that it no longer influences fire growth or spread.

Given this distinction between hazard and risk, the Committee may wish to recommend amendments specifying that the state efforts to be prioritized in this bill are those that reduce wildfire risk.

The Committee also may wish to recommend amendments to align this bill within the larger framework of risk mitigation, prioritization, and funding in the Task Force’s Action Plan, while maintaining the author’s goal of prioritizing risk mitigation actions that would most benefit those communities with high rates of FAIR Plan enrollments. **[SEE AMENDMENT #1]**

Related Legislation

SB 973 (Becker, 2026) would require the Department to establish wildfire risk modeling tools for use by local agencies such as the Wildfire County Coordinators. This bill was heard in the Senate Natural Resources and Water Committee on March 24, 2026, and was passed to the Senate Emergency Management Committee with a vote of 7-0.

SB 1270 (Richardson, 2026) would prioritize home hardening risk reduction mitigation funding to the ten counties with the greatest combined risk of wildfire and social vulnerability. This bill is pending before this committee.

SB 1297 (Allen, 2026) would allow local entities to form Joint Powers Authorities to establish regional wildfire mitigation collaboratives and authorize the I-Bank to fund wildfire mitigation projects with revenue bonds. This bill is pending before this committee.

SB 326 (Becker, 2025) would have required the Department to establish a statewide Wildfire Risk Mitigation Planning Framework to quantitatively evaluate wildfire risk mitigation actions. This bill was vetoed.

SB 72 (Rubio, 2021) would have required the Insurance Commissioner to transmit to the Secretary of the Natural Resources Agency a report that makes geographic recommendations for vegetation management projects based on the commissioner's analysis of nonrenewal data on policies of residential property insurance and the perceived risks of the industry. This bill was held on the Assembly Appropriations Suspense File.

SB 456 (Laird, Chapter 387, Statutes of 2021) renamed the Forest Management Task Force as the Wildfire and Forest Resilience Task Force and required the Task Force to develop an implementation strategy to track and ensure the achievement of the goals and key actions identified in the Action Plan. This bill also required the Task Force to update its Action Plan every five years.

SUGGESTED AMENDMENTS

AMENDMENT 1

Revise proposed Sec. 4771.7 as follows:

~~4771.7. In order to reduce wildfire hazards and improve both the availability and affordability of homeowners' insurance, the~~ The department shall, on or before June 30, 2027, and in consultation with the Department of Insurance and the California FAIR Plan Association, make recommendations to the Task Force regarding specific wildfire risk reduction measures that would reduce the regional risk profile for high-hazard landscapes and communities, particularly those ZIP codes that have seen the largest increases in FAIR Plan policies, as established in Chapter 9 (commencing with Section 10090) of Part 1 of Division 2 of the Insurance Code, sold since 2019. ~~prioritize those state efforts to reduce wildfire hazards in the wildland-urban interface identified in the Wildfire and Forest Resilience Action Plan for ZIP codes that have seen the largest increases in FAIR Plan policies, as established in Chapter 9 (commencing with Section 10090) of Part 1 of Division 2 of the Insurance Code, sold since 2019.~~

SUPPORT

American Property Casualty Insurance Association
 County of Inyo
 National Association of Mutual Insurance Companies
 Pacific Association of Domestic Insurance Companies
 Personal Insurance Federation of California

OPPOSITION

None Received

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