

Date of Hearing: July 9, 2025

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

SB 525 (Jones) – As Amended April 8, 2025

**SENATE VOTE:** 37-0

**SUBJECT:** California FAIR Plan: manufactured homes

**SUMMARY:** Requires the California Fair Access to Insurance Requirements (FAIR) Plan to cover manufactured homes and mobile homes.

**EXISTING LAW:**

- 1) 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 (Ins.) Code, Section 10090)
- 2) 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. (Ins. Code, Section 10100.2)
- 3) Allows the FAIR Plan, with approval from the Insurance Commissioner, to assess all members in amounts sufficient to operate the facility. (Ins. Code, Section 10094)
- 4) Requires all members of the FAIR Plan to participate in the writings, expenses, profits, and losses of the FAIR Plan in the proportion that its premiums written during the second preceding calendar year bear to the aggregate premiums written by all insurers. (Ins. Code, Section 10095)
- 5) Defines “Basic property insurance” as insurance against direct loss to real or tangible personal property at a fixed location in those geographic or urban areas, as designated by the commissioner, from perils insured under the standard fire policy and extended coverage endorsement, from vandalism and malicious mischief, and includes other insurance coverages as may be added with respect to that property by the industry placement facility with the approval of the commissioner or by the commissioner, but shall not include insurance on automobile risks, commercial agricultural commodities or livestock, or equipment used to cultivate or transport agricultural commodities or livestock. (Ins. Code, Section 10091)
- 6) Defines “manufactured home” as a structure that was constructed on or after June 15, 1976, is transportable in one or more sections, is eight body feet or more in width, or 40 body feet or more in length, in the traveling mode, or, when erected on site, is 320 or more square feet, is built on a permanent chassis and designed to be used as a single-family dwelling with or without a foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein. (Health and Safety Code, Section 18007)

- 7) Defines “mobile home” as a structure that was constructed prior to June 15, 1976, is transportable in one or more sections, is eight body feet or more in width, or 40 body feet or more in length, in the traveling mode, or, when erected onsite, is 320 or more square feet, is built on a permanent chassis and designed to be used as a single-family dwelling with or without a foundation system when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein. (Health and Safety Code, Section 18008)

**FISCAL EFFECT:** None.

**COMMENTS:**

- 1) *Purpose of the bill:* According to the Author: “There is ongoing confusion within the FAIR Plan and among its participating insurers as to why owners of manufactured homes are not being offered the same basic property insurance, including full replacement cost coverage, that is available for standard residential dwellings.

As a result, many manufactured homeowners are being denied or are unable to obtain full replacement cost coverage. Instead, these homeowners can only secure insurance based on the initial purchase price of their home, rather than its present-day replacement value, leaving them drastically underinsured—especially in California’s increasingly fire-prone environment.

SB 525 clarifies that the California FAIR Plan Association must offer owners of manufactured homes (also known as “mobilehomes”) the same basic property insurance, including full replacement cost coverage, that it already provides for standard residential dwellings.”

- 2) *The FAIR Plan:* 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 provide basic property and casualty insurance in California. It was created in 1968, following urban disturbances, notably 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 insurance “cannot be obtained” in the normal manner in the market.

FAIR Plan policies are capped at \$3.3 million for residential properties and \$20 million per structure (up to \$100 million) 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 (but finalized in 2024).

FAIR Plan commercial policies can cover homeowners associations, condo associations, farms, and businesses.

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, results 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 FAIR Plan, as of March 2025 (FAIR Plan updates quarterly on their website), the FAIR Plan's total exposure in California is \$599 billion, reflecting a 31% increase since September 2024 and a 259% increase since September 2021.

As of March, 2025, the FAIR Plan's policies in force reached 573,739, a 23% increase since September 2024 and a 139% increase since September 2021.

Homeowners are required to conduct a diligent search of the private market for new coverage before resorting to the FAIR Plan. After receiving a non-renewal notice, some homeowners will find coverage from the admitted market in the course of that diligent search. However, where there are significant increases in FAIR Plan policy counts, it is a sound assumption that there has been an increase in the number of non-renewal notices sent to homeowners.

### 3) *Recent Expansion of the FAIR Plan:*

In the last 7 years, primarily in response to catastrophic wildfires and admitted market withdrawal, legislation and actions taken by CDI has resulted in the FAIR Plan going through a complete transformation/expansion. These actions include:

- Increasing FAIR Plan residential limits to \$3.3 million.
- Increasing FAIR Plan commercial limits to \$8.4 million per location, to \$20 million per location to the \$20 million per structure.
- Potential expansion and requirement to offer homeowners a more comprehensive coverage aka HO-3 light policy (pending litigation).
- Expanding commercial coverage to farms, ranches and other agricultural businesses.
- Developing residential and commercial clearinghouse programs.
- Implementing "Safer from Wildfire" discounts to FAIR Plan policyholders.

### 4) *Area of Concern:* As part of the Insurance Commissioner's Sustainable Insurance Strategy (SIS), a provision of the SIS is to depopulate the FAIR Plan.

"Transitioning homeowners and businesses from the FAIR Plan back into the normal insurance market with commitments from insurance companies to cover all parts of

California by writing no less than 85% of their statewide market share in high wildfire risk communities. “

Expanding the FAIR Plan is counter-intuitive to depopulating the FAIR Plan. That being said, this committee is sensitive to the fact that the SIS is not fully implemented, therefore insurance availability is still lacking.

- 5) *Previous Legislation:* SB 11 (Rubio) Chapter 128, Statutes of 2021, expanded the FAIR Plan by allowing the FAIR Plan to sell commercial coverage to farms.

**REGISTERED SUPPORT / OPPOSITION:****Support**

City of San Marcos

Insurance Commissioner Ricardo Lara / California Department of Insurance

Western Manufactured Housing Communities Association

**Opposition**

None on file.

**Analysis Prepared by:** Kathleen O'Malley / INS. / (916) 319-2086