Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 525 (Jones) – As Amended April 8, 2025

Policy Committee: Insurance Vote: 15 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill requires the California FAIR Plan Association (FAIR Plan) to insure manufactured homes and mobile homes under the same terms and conditions as basic property insurance sold for other residential dwellings.

FISCAL EFFECT:

Possible costs of an unknown, but potentially significant amount, in excess of $150,000, to the Department of Insurance (CDI) to update informational materials and consumer communications and review adjusted FAIR Plan rates (Insurance Fund). CDI reports no fiscal impact from this bill. However, CDI has previously indicated significant costs associated with legislation that may result in FAIR Plan consumer complaints, assuming that a percentage of policyholders will contact CDI for assistance.

COMMENTS:

1) **Purpose.** 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.

2) **Background.** ***Evolution of the FAIR Plan.*** The FAIR Plan is a private association of all licensed insurance companies created by the Legislature in 1968 to serve as the "insurer of last resort" for basic property insurance in the event of a market failure. Although originally envisioned to cover urban commercial property following the Watts Riots, the FAIR Plan expanded to include homeowners' insurance across the state and, more recently, due to the continued risk of catastrophic wildfires and admitted market withdrawal, expanded to

commercial coverage of farms, ranches, and other agricultural businesses. According to the FAIR Plan, as of December 2024, it has more than 516,000 policies in force, reflecting an 11.1% increase since September 2024, and a 115% increase since September 2021. Depopulating the FAIR Plan is a key provision of the Insurance Commissioner's (IC's) Sustainable Insurance Strategy (SIS) to stabilize the state's insurance market.

FAIR Plan Coverage. A policy under the FAIR Plan is a fully sound and guaranteed policy that satisfies a lender's security requirements, but is not as broad as a traditional homeowners' policy. There are other coverage options in the market, generally through the purchase of a "difference-in-conditions" (DIC) policy, to provide a FAIR Plan policyholder with wraparound coverage resulting in the same protection as a standard homeowners' policy. As noted in the Assembly Insurance Committee's analysis of this bill, "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." Despite the differences between manufactured or mobile homes and secured residential property, this bill requires the FAIR Plan to insure manufactured homes and mobile homes under the same terms and conditions as basic property insurance sold for other residential dwellings.

3) **Support and Opposition.** This bill is supported by IC Ricardo Lara, a consumer group, and manufactured housing associations, with IC Lara arguing, "this bill is not creating a brand-new mandate but clarifying that manufactured homeowners, that are forced into the FAIR Plan, deserve access to the same basic property insurance as other homeowners."

   This bill is opposed by insurer associations, which argue, "the bill needs language making the new coverage limits contingent on the FAIR Plan being able to make a rate filing and adjust their rates to reflect the new exposure." Additionally, the FAIR Plan cites concerns with this bill, noting that setting actuarially sound rates will mean the "replacement cost for manufactured and mobile homes would be expensive if such coverage becomes available from the FAIR Plan," as well as "the need to depopulate the FAIR Plan, consistent with the SIS, and that replacement coverage is currently available to consumers through the voluntary and surplus lines markets."

4) **Related Legislation.** AB 69 (Calderon) requires a broker of record of an insurance policy placed in the FAIR Plan to determine, before renewal of the policy, whether the policy can be moved to a voluntary market insurance company. AB 69's hearing by the Senate Insurance Committee was canceled at the request of the author.

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