

SENATE THIRD READING

SB 525 (Jones)

As Amended April 8, 2025

Majority vote

SUMMARY

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

Major Provisions**COMMENTS**

- 1) *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.

2) *Recent Expansion of the FAIR Plan:*

In the last seven 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:

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

3) *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.

According to the Author

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."

Arguments in Support

According to California's Insurance Commissioner Ricardo Lara, "Some stakeholders worry that expanding coverage under SB 525 could put additional strain on the FAIR Plan's resources, especially while we are implementing my Sustainable Insurance Strategy. However, 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. Because the FAIR Plan has the authority to adjust its rates to reflect any new exposures, it can maintain financial health while extending equitable coverage.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, possible costs of an unknown, but potentially significant amount, in excess of \$150,000, to the 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.

VOTES

SENATE FLOOR: 37-0-3

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Hurtado, Reyes, Rubio

ASM INSURANCE: 15-0-2

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

ABS, ABST OR NV: Krell, Valencia

ASM APPROPRIATIONS: 15-0-0

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

UPDATED

VERSION: April 8, 2025

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