



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

BULLETIN 2025-4

TO: All Admitted Property & Casualty Insurers and Other Interested Parties

FROM: Insurance Commissioner Ricardo Lara

DATE: February 11, 2025

RE: Updated Guidance regarding Insurer Recoupment Procedures in Response to Assessment by the FAIR Plan

This Bulletin provides UPDATED guidance regarding the procedure through which the FAIR Plan's member insurers may request the Insurance Commissioner's prior approval under Proposition 103 to seek recoupment from their policyholders of any FAIR Plan assessments. Insurers were previously notified of these procedures in Bulletin 2024-8.¹

A key element of my Sustainable Insurance Strategy² is modernizing the FAIR Plan, a necessary part of my ongoing efforts to stabilize California's insurance market while holding true to the spirit and intent of the landmark ballot initiative, Proposition 103. It is critical for Californians to understand that a growing FAIR Plan contributes to our insurance crisis. By strengthening the FAIR Plan while providing financial stability and solvency protections, we are creating long-term security for consumers, homeowners, and businesses across the state that is long overdue. Last summer, I announced³ a breakthrough, unprecedented agreement with the FAIR Plan, that among other financial health and solvency protections, created greater financial stability through a sounder financial formula to protect policyholders in extreme loss scenarios when covered losses exceed the FAIR Plan's available cash, reinsurance, and other funding sources, if available. In those situations, the FAIR Plan may, with my prior approval,⁴ levy an assessment on its member insurers.⁵

As the risk of more climate change-intensified wildfires increases in California, a major wildfire in one geographical area concentrated with FAIR Plan-insured properties could overwhelm the FAIR Plan's reserves and its capacity to quickly and fully pay

¹ [Bulletin 2024 - 8: Insurer Recoupment Procedures](#)

² <https://www.insurance.ca.gov/01-consumers/180-climate-change/SustainableInsuranceStrategy.cfm>

³ <https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release031-2024.cfm>

⁴ Cal. Ins. Code § 10095, subd. (c).

⁵ Cal. Ins. Code § 10095, subds. (a) & (c).

consumers' claims not only in that one geographical area but potentially statewide. This is the exact situation produced by the January 2025 wildfires in Southern California. To date, the FAIR Plan has received 4,794 claims from the Palisades and Eaton fires, continuing to receive new claims daily, and has paid out \$914 million to policyholders. The FAIR Plan has estimated its total loss from the Palisades and Eaton fires at approximately \$4 billion and anticipates paying 75%, or \$2.34 billion, of the remaining \$3.125 billion reserved for unpaid losses over the next few months, and may be called upon to pay more if there are subsequent events later this year.

Further underscoring the need for this reform, the last FAIR Plan assessments followed the 1993 Kinneloa Fire in Altadena and Old Topanga Fire in Malibu and Topanga that burned some of the same areas as these 2025 fires – claiming three lives and destroying nearly 550 structures in those devastating fires.⁶ Previous insurance commissioners approved \$260 million, or approximately \$563 million in today's dollars,⁷ in assessments for those fires and for the fires following the 1994 Northridge Earthquake.

Given the urgent need for the FAIR Plan to obtain emergency funds as a result of the unprecedented losses caused by the January 2025 wildfires and to help Californians rebuild in the wake of this crisis, the FAIR Plan requested, and I approved, through issuance of my Order 2025-1, the FAIR Plan's request to levy a \$1 billion assessment on its member insurers -- the first assessment on its member insurers in over 30 years. This assessment provides funding crucial to the FAIR Plan's ability to continue operating and timely pay consumer claims from these devastating fires, and help ensure that the FAIR Plan can continue to pay claims if there are subsequent events this year. The FAIR Plan is now in the process of sending assessment notices to its member insurers, which will be required to remit funds within 30 days from the date of the notice, if not sooner.

This Bulletin provides updated guidance about the procedure through which the FAIR Plan's member insurers may request my prior approval under Prop. 103⁸ to seek recoupment from their policyholders of assessment amounts paid to the FAIR Plan.

Any FAIR Plan member insurer that has paid an assessment levied by the FAIR Plan may submit a rule-change application requesting the Insurance Commissioner's prior approval, pursuant to Prop. 103, to collect temporary supplemental fees to recoup a portion of its FAIR Plan assessment as follows:

1. To assure the stability of the property insurance market and the availability of basic property insurance in the event the FAIR Plan is authorized to issue assessment(s) of up to \$1 billion for personal lines or up to \$1 billion for commercial lines in one calendar year, the FAIR Plan's member insurers may recoup 50% of the amount the insurer paid for the assessment(s), but only if the

⁶ See [Wildfires in Los Angeles County - Wildfire Los Angeles](#)

⁷ See https://www.bls.gov/data/inflation_calculator.htm

⁸ See, Cal. Ins. Code, §§ 1861.02, subd. (c), 1861.05, subd. (b); see also, Cal. Ins. Code, §§ 1857.7, 1857.9, & 1864; Cal. Code Regs., tit. 10, §§ 2641.1-2643.8, 2644.1-2644.28.

insurer confirms that its assessment payment was not covered by reinsurance or reimbursed through other means.

2. To assure the stability of the property insurance market and the availability of basic property insurance in the event the FAIR Plan is authorized to issue assessment(s) exceeding \$1 billion for personal lines or exceeding \$1 billion for commercial lines in one calendar year, the FAIR Plan's member insurers may recoup 100% of any portion of the assessment above \$1 billion for the line assessed, but only if the insurer confirms that its assessment payment was not covered by reinsurance or reimbursed through other means.
3. To assure the stability of the property insurance market and the availability of basic property insurance in the event that the FAIR Plan is authorized to issue assessments for losses allocated to the FAIR Plan's commercial property policies with limits of \$20 million *per structure* and up to \$100 million per Location in the aggregate ("High Value Commercial Property Policies"), those member insurers may request the Insurance Commissioner's prior approval, as specified in the Plan of Operation of the FAIR Plan, to collect temporary supplemental fees from their own policyholders with limits above \$20 million *per structure*, but only if the insurer confirms that its assessment payment was not covered by reinsurance or reimbursed through other means.
4. All rule-change applications requesting permission to collect temporary supplemental fees to recoup any FAIR Plan assessments are subject to the Insurance Commissioner's prior review and approval under Prop. 103 and must be submitted according to the Department's instructions for rule-change applications in effect at the time the application is made⁹.
5. The Commissioner's Order 2025-1 approved a total assessment of \$1 billion, which means any FAIR Plan member insurer may request recoupment of 50% of the assessment paid to the FAIR Plan, if the insurer can also demonstrate that its assessment payment was not subject to reimbursement through reinsurance or other means.
6. Rule-change applications seeking approval for recoupment of the FAIR Plan assessment authorized by Order 2025-1 must be filed within six months from the date of the FAIR Plan's assessment notice to the insurer submitting the application.
7. A FAIR Plan member insurer seeking recoupment of the FAIR Plan assessment authorized by Order 2025-1 shall include the designation of "FPA-2025" in the Program name of the application being submitted, e.g., Homeowners FPA-2025.

⁹ See, <https://www.insurance.ca.gov/0250-insurers/0800-rate-filings/0200-prior-approval-factors/>

8. A FAIR Plan member insurer seeking recoupment of the FAIR Plan assessment authorized in Order 2025-1 must provide the following information in its rule change application:
 - a. Documentation showing the total amount of the FAIR Plan assessment levied against the member insurer for all lines of insurance, along with any breakdown showing the percentage of the insurer's assessment allocated toward the FAIR Plan's residential and/or commercial property losses, including the amount of the assessment that is allocated to the line of insurance for which the rule change application is being submitted;
 - b. Documentation or an attestation under penalty of perjury confirming that the member paid the full amount assessed by the FAIR Plan, when the assessment was paid, and that no portion of the amount to be recouped was covered by reinsurance or reimbursed from another source;
 - c. The amount of temporary supplemental fee each policyholder in that line of insurance is subject to and how that amount was determined;
 - d. The total amount of recoupment requested, which can be 50% of the total, unreimbursed assessment amount that the insurer paid to the FAIR Plan;
 - e. For the line of insurance represented by the subject rule filing, the types or categories of policyholders of the member insurer that will be subject to the temporary supplemental fee, e.g., renters, condominium, mobile homes or manufactured homes, dwelling, etc. for personal lines, or commercial fire policy, businessowners, etc. for commercial lines;
 - f. The desired effective date on which to begin collecting temporary supplemental fees on new and renewal policies;
 - g. Completion of a separate FAIR Plan Assessment Questionnaire available on the Department website; and,
 - h. A plan to recover the insurer's approved recoupment amount over a period of two years from the requested effective date or what ends up being the actual effective date once the rule-change application is approved by the Department.
9. The temporary supplemental fee charged to each policyholder should be a percentage of each policyholder's premium. In its rule change application requesting approval of a temporary supplemental fee, the insurer must provide the amount of temporary supplemental fee each policyholder in that line (product or coverage) of insurance is subject to and how that amount was determined..
10. Any rule-change application submitted to recoup assessment payments through temporary supplemental fees on policyholders shall be revenue neutral and shall not include proposals or amendments to existing rates or rules. Applications that do not comply with this rule will be rejected. An insurer that does not submit a corrected, acceptable application by the six-month deadline noted in paragraph 6, above, will forfeit its right to obtain recoupment.

11. Any amount recouped by a member insurer through temporary supplemental fees on policyholders shall not be considered premium.
12. Any amount recouped by an insurer through temporary supplemental fees on policyholders shall not be considered losses for the purpose of any subsequent rate change application.
13. The Department will collect information from insurers in the future to ensure that insurers did not collect more in temporary supplemental fees than was permitted as outlined above. The manner and process that the Department will use to collect this information will be provided at a later date.
14. If approved, the amount of any temporary supplemental fee shall be separately stated on a notice, bill, or policy declaration sent to an insured and shall include the following description of, and purpose for, the California FAIR Plan Association:

“Companies admitted to write property and casualty insurance in California are required to participate in the California FAIR Plan Association, which makes basic property insurance available to California consumers who would otherwise be unable to obtain such insurance through the normal insurance market. In the event that catastrophic losses render the FAIR Plan unable to pay operating expenses and policyholder claims because it will not have sufficient retained earnings, reinsurance, a line of credit, if available, and/or proceeds from catastrophe bonds, if sold, the FAIR Plan may request the Insurance Commissioner’s approval to assess each member insurance company its fair share if necessary to pay the Plan’s operating expenses and policyholder claims.

To assure stability in the California property insurance market and to assure the continued availability of property insurance in California, the FAIR Plan’s member insurance companies may collect a temporary supplemental fee to recover a portion of these assessments. If this happens, ‘Temporary Supplemental Fee’ with an amount will be displayed on a notice, bill, or your policy declarations.”

I believe this sounder financial sustainability structure is necessary to ensure the FAIR Plan’s long-term financial resiliency and is similar to other existing California insurance safety net mechanisms in place today where insurers may recoup from their policyholders in the highly unlikely event of an insurer insolvency such as the California Insurance Guarantee Association, the California Life and Health Insurance Guarantee Association, and the California Earthquake Authority.

A stable and solvent FAIR Plan — established more than 50 years ago as the state’s insurer of last resort — provides important certainty for insurance consumers who otherwise cannot find insurance coverage in the traditional or surplus lines markets.

Modernizing the FAIR Plan is critical to ensure a reliable, yet temporary, safety net that is there when California's consumers need it.

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