

# FAQ: Recoupment of FAIR Plan Assessment by Admitted Insurers – Modification of Previously Approved Temporary Supplemental Fees



In February 2025 the California FAIR Plan (FAIR Plan) levied an assessment against its member insurers. Certain member insurers submitted applications requesting the Insurance Commissioner's prior approval, pursuant to Proposition 103 and in accordance with the Insurance Commissioner's complete rate application instructions, to recoup portions of the assessment by means of collecting **temporary supplemental fees (TSF)** from the member insurer's policyholders, in the line or lines of insurance that were assessed. This FAQ is intended to assist those member insurers seeking to modify the amount of temporary supplemental fee in the second year of collecting that fee.

## FAIR Plan Assessment General

***Q: What was the FAIR Plan's methodology in calculating its February 2025 assessment on each individual member insurer?***

A: The FAIR Plan determined the February 2025 assessment on each individual member based on the member insurer's premiums written during the second preceding calendar year, in proportion to the aggregate premiums written by all insurers. This ratio of premiums written became an insurer's participation rate. Participation rates were calculated for Personal Lines and Commercial Lines based on the lines of business applicable to the member insurer. When the assessment was issued, it was allocated between Personal Lines and Commercial Lines based on the losses for each line. Each member insurer's share of the assessment was calculated by applying their participation rate to the amount of the assessment.

FAIR Plan used both 2024 and 2025 Pool Year participation rates for the February 2025 assessment. The 2024 Pool Year participation rate was based on 2022 written premium, and the 2025 Pool Year participation rate was based on 2023 written premium.

The split between Personal and Commercial lines was approximately 97% to 3%, Personal to Commercial.

***Q: Why would an insurer want to modify its previously approved temporary supplemental fee?***

A: During the first year of collecting temporary supplemental fees, some insurers may find mid-year that they are on pace to over-collect/under-collect their allowable recoupment amount. Not reducing the amount of the approved temporary supplemental fee for the second year of collection could result in an insurer over-collecting its allowable recoupment and having to provide refunds to policyholders.

Submitting an application to reduce the previously approved temporary supplemental fee to be collected during the second year could eliminate the need for an insurer to provide refunds to policyholders.

## Required Applications from Insurers to Modify Previously Approved Temporary Supplemental Fees

***Q: Which filing type should an insurer use to modify a previously approved temporary supplemental fee related to the February 2025 FAIR Plan assessment recoupment?***

A: An insurer must submit the current version of the Prior Approval Rate Application to modify a previously approved temporary supplemental fee related to the February 2025 FAIR Plan assessment recoupment and must select rule or rule change as the application's filing type. No other filing type may be selected. Such applications are subject to the Insurance Commissioner's prior review and approval under Prop. 103 and must be complete and submitted according to the Department's instructions for rule change filing types in effect at the time the Prior Approval Rate Application is made.

***Q: Can the application containing the request to modify its second year temporary supplemental fee associated with the February 2025 FAIR Plan assessment recoupment contain other new or proposed revisions to rates, rules, manuals, forms, endorsements, or policies?***

A: No. An application seeking to modify the second year temporary supplemental fee for a previously approved FAIR Plan assessment recoupment must be revenue neutral and limited strictly to modification of the temporary supplemental fee. The application may not introduce new or revised rates, rules, manuals, forms, endorsements, or policy changes. Non-compliant applications will be rejected at Intake. If an insurer does not submit a complete application in time to account for review and issuance of renewal offers tied to the second-year effective date, the insurer forfeits its right to modify its previously approved temporary supplemental fee.

***Q: If an insurer submitted applications across multiple lines of insurance and received approval to collect a temporary supplemental fee in each of those different lines, must the insurer submit a separate application by line of insurance if the insurer wishes to modify any of its approved temporary supplemental fees?***

A: Yes. Under Prop. 103, applications are to be submitted by line of insurance. Therefore, if an insurer seeks to modify its second year temporary supplemental fee associated with a previously approved FAIR Plan recoupment application, the insurer must file a separate application for each affected line of insurance.

***Q: Can an insurer remove a line, coverage, or form from a previously approved temporary supplemental fee FAIR Plan assessment recoupment application or add additional line(s) to the second TSF recoupment application?***

A: No. The line, coverage, or form must remain unchanged from the initial TSF recoupment application.

***Q: What information must an insurer include in an application seeking to modify its second year temporary supplemental fee associated with the previously approved FAIR Plan assessment recoupment application?***

A: An insurer's application requesting a modified temporary supplemental fee (TSF) must contain the following information:

- Prior TSF Recoupment company file number. This information should also be included in the filing memorandum.
- The total assessment by company and by line in the previously approved TSF recoupment application.
- The previously approved and proposed modified TSF percentages.

- The amount recouped in year one for each line included in the previously approved TSF recoupment application.
- The recoupment as a percentage of the total written premium for year one.
- For the line of insurance represented by the subject application, the types or categories of policyholders of the member insurer that will be subject to the modified temporary supplemental fee, e.g., renters, condominiums, mobile homes or manufactured homes, dwellings, etc. for personal lines, or commercial fire policy, businessowners, etc. for commercial lines.
- The latest Available Annual Written Premium (e.g. 2025).
- The total expected written premium for the second-year renewal cycle.
- Completion of a separate FAIR Plan Assessment Questionnaire available on the Department website if modification is required from the prior year that did not result from a new reinsurance contract or new data.
- An updated manual reflecting the insurer’s application of the modified temporary supplemental fee, including the fee percentage applicable to each product, the effective date (the first policy effective date to which the fees apply), and the duration date (the final policy effective date to which the fees apply).

***Q: Is there any special filing designation an insurer needs to make when submitting an application to request the modified temporary supplemental fee?***

A: Yes. An insurer shall include the designation of “FPA-2025-2” in the Program name of the application being submitted, e.g., Homeowners FPA-2025-2.

***Q: What is the time frame in which insurers can submit an application to modify their second-year Temporary Supplemental Fee associated with the initial FAIR Plan recoupment application?***

A: An insurer wishing to modify its previously approved temporary supplemental fee in the second year must submit its application no less than 150 days prior to the end of the first year of collection.

***Q: How long will it take the Department to review and approve an insurer’s application that requests a modified temporary supplemental fee?***

A: If an application requesting approval of a modified temporary supplemental fee is submitted as outlined above, the Department expects that the review and approval process will be completed in less than 60 days from the date of the application’s public notice.

***Q: Are the applications to modify a previously approved temporary supplemental fee subject to the intervenor process?***

A: Yes. Under Proposition 103, if an intervenor petitions an application to modify a previously approved temporary supplemental fee, the review and approval timeline may be affected. However, once the Department approves the application, the insurer’s plan to modify its previously approved temporary supplemental fee will take effect for the second-year period based on the effective date requested in the application.

## **Temporary Supplemental Fees**

***Q: What is the basis for the temporary supplemental fee: a flat dollar amount per policyholder or a percentage of each policyholder’s premium?***

A: A percentage of each policyholder’s premium.

**Q: Can the percentage of temporary supplemental fees differ by line, product, or coverage of insurance?**

A: Yes. As mentioned above, in its application requesting approval of a modified 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.

**Q: When can an insurer start to collect the modified temporary supplemental fee from its policyholders?**

A: The insurer must use the effective date specified in the application—the date on which the modified temporary supplemental fee will start to be collected—subject to the Commissioner’s prior approval of the application.

**Q: Can an insurer stop collecting the modified temporary supplemental fees if it projects an over-collection during the second year?**

A: No.

**Q: What happens if an insurer collects more in temporary supplemental fees than the insurer is permitted to collect?**

A: The insurer must refund back to its policyholders all amounts of temporary supplemental fees that exceed the amount that the member insurer was permitted to recoup.

**Q: Are the temporary supplemental fees considered premium and therefore subject to premium tax?**

A: Temporary supplemental fees are not considered premium.

**Q: Are the temporary supplemental fees fully earned if the policyholder cancels or lapses mid-term?**

A: Yes.

**Q: What if there is a mid-term endorsement that results in an increase/decrease in policy premium? Does a mid-term policy premium increase result in an increase in the temporary supplemental fee for that policy? Does a mid-term policy premium decrease result in the temporary supplemental fee being reduced with a portion of the temporary supplemental fee having to be returned to the policyholder?**

A: The temporary supplemental fee is determined and set at policy issuance and is the amount of fee that is applicable for the entirety of the policy, including any endorsements, on the inception date. After policy inception, a mid-term policy premium increase/decrease resulting from a change in endorsement or any other reason does not alter the amount of temporary supplemental fee that was established at the inception of the policy.

**Q: How is the temporary supplemental fee to be collected if the policyholder pays in installments?**

A: The temporary supplemental fee is to be split equally across any installments.

**Q: What policyholders can pay the temporary supplemental fees?**

A: The temporary supplemental fee may be recouped from renewing policyholders and new policyholders once the effective date begins.

**Q: Can an insurer cease charging and collecting their filed and approved temporary supplemental fee during the middle of a policy renewal cycle (e.g., 12 months)?**

A: No. To ensure consistent and equitable treatment of policyholders across a full renewal cycle, all policyholders within that renewal cycle must be charged the temporary supplemental fee. The insurer must refund back to its policyholders all amounts of temporary supplemental fees that exceed the amount that the member insurer was permitted to recoup.

**Q: Can the recoupment be extended to a third year?**

A: No.

## Other Requirements or Considerations

**Q: Is there any specific information that needs to be provided to an insurer's policyholders if the insurer decides to collect a temporary supplemental fee from its policyholders to recoup any portion of the FAIR Plan assessment?**

A: Yes. 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 does 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."*

**Q: Does the required language indicated above need to be included any time the temporary supplemental fee is referenced, or is inclusion of this language on one of the documents (e.g. notice, bill, or policy declaration) enough?**

A: Within a communication to a policyholder where there is reference to the temporary supplemental fee, the required language does not need to be included on every document. Inclusion of the required language on one of the documents in a communication to a policyholder is sufficient. However, every time there is a communication with a policyholder that includes a reference of the temporary supplemental fee, the communication must include the required language on at least one of the policyholder documents.

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