

FAQ: Recoupment of FAIR Plan Assessment by Admitted Insurers



In the event the California FAIR Plan (FAIR Plan) levies an assessment against its member insurers, those member insurers may submit a rule change application requesting the Insurance Commissioner's prior approval, pursuant to Proposition 103 and in accordance with the Insurance Commissioner's complete rate application instructions, to seek recoupment of any such assessment by means of collecting **temporary supplemental fees** from the member insurer's policyholders, in the line or lines of insurance that were assessed. This FAQ is intended to assist insurance companies in complying with this recoupment process in conjunction with the California Department of Insurance [Bulletin 2025-4](#).

FAIR Plan Assessment – General

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

A: The FAIR Plan determined the 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 becomes an insurer's participation rate. Participation rates are calculated for Personal Lines and Commercial Lines based on the lines of business applicable to the member insurer. When an assessment is issued, it is allocated between Personal Lines and Commercial Lines based on the losses for each line. Each member insurer's share of the assessment is calculated by applying their participation rate to the amount of the assessment.

FAIR Plan is using both 2024 and 2025 Pool Year participation rates for this assessment. The 2024 Pool Year participation rate is based on 2022 written premium and the 2025 Pool Year participation rate is based on 2023 written premium.

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

Q: Can an insurer request recoupment of 100% of all amounts of a FAIR Plan assessment?

A: No, not for the situation where the FAIR Plan's total assessment is \$1 billion or less.

Q: If the FAIR Plan assessment is \$1 billion or less, how much can member insurers recoup from their policyholders?

A: In one calendar year for FAIR Plan assessments up to and including \$1 billion for losses allocated to the FAIR Plan's dwelling property policies, or \$1 billion for losses allocated to the FAIR Plan's commercial property policies or businessowners policies with limits up to \$20 million, or \$2 billion for losses allocated to a combination of such policies, the assessed member insurer may request recoupment of 50% of the amount the member insurer paid to the FAIR Plan. Where an insurer has reinsurance coverage or access to reimbursement of the FAIR Plan assessment through other means that covers any portion of the insurer's FAIR Plan assessment, in order for the insurer to include that portion of the covered assessment as part of a temporary supplemental fee it charges to its policyholders, the insurer must confirm that the corresponding portion of the recouped covered

assessment is not in any way retained by the insurer and is in fact fully ceded back to the reinsurer or other source.

Q: If the FAIR Plan assessment is over \$1 billion, how much can member insurers recoup from their policyholders?

A: For a FAIR Plan assessment(s) in one calendar year that exceeds \$1 billion, a member insurer after following the recoupment process outlined above may request recoupment of 100% of the remaining amount the member insurer paid to the FAIR Plan. Where an insurer has reinsurance coverage or access to reimbursement of the FAIR Plan assessment through other means that covers any portion of the insurer's FAIR Plan assessment, in order for the insurer to include that portion of the covered assessment as part of a temporary supplemental fee it charges to its policyholders, the insurer must confirm that the corresponding portion of the recouped covered assessment is not in any way retained by the insurer and is in fact fully ceded back to the reinsurer or other source.

In general, all assessments for personal lines up to \$1 billion and all assessments for commercial lines up to \$1 billion are to be recouped at 50%. For that portion of the assessment that exceeds \$1 billion for personal lines and for that portion of the assessment that exceeds \$1 billion for commercial lines, the recoupment is 100%.

Q: Can a FAIR Plan assessment be redistributed among affiliate insurers within the same insurer group?

A: A group of insurers under the same management, ownership, or control shall have the option of designating an insurer from within the group to assume and pay for all assessment obligations on behalf of the entire group. However, in terms of collecting temporary supplemental fees from policyholders within the group of insurers, each individual insurer within the group must recoup temporary supplemental fees from their own policyholders at the participation rate(s) attributed to each individual insurer by the FAIR Plan.

Q: What lines of insurance is the FAIR Plan assessment based on?

A: The FAIR Plan assessment is based on the following Annual Statement lines of insurance:

- 1.0 Fire (@ 100%)
- 2.1 Allied Lines (@ 100%)
- 3.0 Farmowners (@ 78%)
- 4.0 Homeowners (@ 83%)
- 5.1 Commercial Multiple-Peril – Property (@ 100%)
- 5.2 Commercial Multiple-Peril – Liability (@ 100%)

Required Applications from Insurers

Q: What are the different filing types an insurer can submit to request the recoupment of a FAIR Plan assessment?

A: The only filing type that an insurer can submit to request the recoupment of a FAIR Plan assessment is a rule change application. Insurers cannot submit any other filing types, including rate filings, to request recoupment of a FAIR Plan assessment. Such rule change applications 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 made.

Q: Can the rule change application containing the request to recoup a FAIR Plan assessment against a member insurer's policyholders contain other new or proposed revisions to rates, rules, manuals, forms, endorsements, or policies?

A: No. The rule change application requesting the recoupment of a FAIR Plan assessment must be revenue neutral and only contain the FAIR Plan assessment particulars – no other new or additional rate, rule, manual, form, endorsement, or policy revisions can be included in the rule change application. 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 (from the date of the FAIR Plan's assessment notice to the insurer submitting the application) will forfeit its right to obtain recoupment.

Q: If an insurer assessment by the FAIR Plan applies across multiple lines of insurance, must the insurer submit a separate rule change application for each line of insurance that the insurer is seeking recoupment of the assessment?

A: Yes. Under Prop. 103, applications are to be submitted by line of insurance. If an insurer receives an assessment that applies across multiple lines of insurance, an insurer would need to submit a separate rule change application for each line of insurance it seeks to request recoupment.

Q: What information must an insurer's rule change application requesting recoupment of a FAIR Plan assessment contain?

A: An insurer's rule change application requesting recoupment of a FAIR Plan assessment must contain the following information:

- The total amount of FAIR Plan assessment levied against the member insurer for all lines of insurance, and the amount of the assessment that is allocated for the line of insurance the rule change application is being submitted
- The total amount of assessment payment that the member insurer has made to the FAIR Plan and when that payment was made
- For the line of insurance represented by the subject rule change application, 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
- The amount of temporary supplemental fee each policyholder in that line of insurance is subject to and how that amount was determined
- The total amount of recoupment the insurer expects to collect from the temporary supplemental fees to be charged
- The desired effective date on which the member insurer expects to begin collecting the temporary supplemental fee from its policyholders, upon the approval date of the Department
- Confirmation that the temporary supplemental fee is to be collected over 24 months
- Completion of a separate *FAIR Plan Assessment Questionnaire* available on the Department website

- An updated manual that reflects the insurer's charging of a temporary supplemental fee – the manual should include the temporary supplemental fee percentage applicable to each product with the effective date (the first policy effective date the fees apply) and the duration date (the final policy effective date the fees apply) for the policies subject to the fees

Q: Is there any special filing designation an insurer needs to make when submitting a rule change application to request the recoupment of a FAIR Plan assessment?

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

Q: What is the time frame in which insurers can submit a rule change application to request the recoupment of a FAIR Plan assessment?

A: An insurer has six months from the date of the notice that is received from the FAIR Plan indicating that the member insurer is being assessed to submit a rule change application(s) to request the recoupment of a FAIR Plan assessment.

Q: How long will it take the Department to review and approve an insurer's rule change application that requests approval of a temporary supplemental fee?

A: If a rule change application requesting approval of a 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 rule change application's public notice.

Q: Are the rule change applications subject to the intervenor process?

A: Yes. Under Prop. 103, if a rule change application is petitioned by an intervenor, the timing of the review and approval process could be impacted. Ultimately, the plan to recover the insurer's approved recoupment amount shall go into effect 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.

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 fee differ by line, product, or coverage of insurance?

A: Yes. As mentioned above, 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.

Q: If an insurer has reinsurance that covers a FAIR Plan assessment or a portion thereof, or is able to secure reimbursement of the assessment through other means, can the insurer recoup the full amount of the FAIR Plan assessment through a temporary supplemental fee charged to its policyholders?

A: Where the FAIR Plan assessment is \$1 billion or less, any recoupment by an insurer from its policyholders by means of collecting temporary supplemental fees is limited to the 50% requirement as stated above. With respect to any amounts of the FAIR Plan assessment covered by reinsurance or through other means, if the corresponding recoupment of temporary supplemental fees is fully ceded back to the reinsurer or other source, the insurer may collect the temporary supplemental fees from its policyholders. However, in those instances where there is reinsurance coverage or coverage through other means of the FAIR Plan assessment and the insurer does not cede back to the reinsurer or other source the corresponding amount of temporary supplemental fees it would collect from its policyholders and would otherwise retain the corresponding temporary supplemental fees collected, the insurer may not collect that portion of temporary supplemental fees it would otherwise retain.

Q: Can the temporary supplemental fees be passed along to an insurer's DIC policyholders?

A: Yes.

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

A: The insurer will identify in its rule change application the anticipated effective date that the temporary supplemental fee will be collected from its policyholders, subject to the Commissioner's prior approval of the rule change application.

Q: What additional information will the Department want with respect to the temporary supplemental fees collected by insurers?

A: 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.

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: Will FAIR Plan policyholders have to pay a temporary supplemental fee?

A: No. The FAIR Plan assessment is against its member insurers, and it is the member insurers' policyholders that the temporary supplemental fee is levied against. However, as indicated above, temporary supplemental fees may be passed along to an insurer's DIC policyholders, and those policyholders typically also have a FAIR Plan policy.

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

A: Temporary supplemental fees are not considered premium.

Q: Can any portion of a FAIR Plan assessment be considered losses for purposes of ratemaking in future rate applications?

A: No.

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: If midway through the first year of collection the insurer anticipates that the approved temporary supplemental fee will result in an over-collection, can the insurer submit a rule change application to decrease the amount of the second year temporary supplemental fee to avoid over-collection?

A: Yes. However, an insurer wishing to reduce its approved temporary supplemental fee in the second year must submit its rule change application no less than 150 days prior to the end of the first year of collection.

Q: if midway through the first year of collection the insurer anticipates that the approved temporary supplemental fee will result in an under-collection, can the insurer submit a rule change application to either increase the amount of the second year temporary supplemental fee or introduce a new second year of temporary supplemental fee to avoid under-collection?

A: Yes. However, an insurer wishing to extend or increase its approved one-year temporary supplemental fee collection to two years must submit its rule change application no less than 150 days prior to the end of its approved one-year recoupment period.

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

A: No.

Other Requirements or Considerations

Q: What if an insurer's assessment is based on a program or product that was written during the years the insurer's participation rate is based on, but the insurer no longer writes that program or product?

A: If an insurer no longer writes a program or product that was included in the derivation of its participation rates and amount of assessment, the insurer in seeking collection of temporary supplemental fees can on a proportional basis, subject to Department approval, reallocate that portion of the temporary supplemental fee related to the program or product no longer written to the policyholders of the insurer's other programs or products where the insurer is seeking to collect a temporary supplemental fee.

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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