

Bill to Increase Oversight of California's FAIR Plan Awaits Newsom

KFI AM 640

California lawmakers have passed Assembly Bill 234, which aims to increase scrutiny of the state's FAIR Plan, the insurer of last resort for homeowners who cannot secure policies from other companies. The bill now awaits the signature of Governor Gavin Newsom. The legislation proposes adding two non-voting members, Senate President Pro Tem Mike McGuire and Assembly Speaker Robert Rivas, to the FAIR Plan's governing committee.

The FAIR Plan, an alliance of insurers operating in California, has seen a significant increase in policies, growing to over 610,000 as of June, a 154% rise since September 2021. This growth comes as other insurers have reduced or ceased issuing new policies due to increasing wildfire risks. The plan is primarily managed by insurance representatives, with some non-voting members appointed by the governor.

Insurance Commissioner Ricardo Lara supports the bill, stating that it will enhance transparency and legislative oversight. However, critics like Robert Herrell, executive director of the Consumer Federation of California, argue that the bill lacks sufficient impact, as the non-voting members will not have decision-making power.

Despite these concerns, some believe that having lawmakers on the committee could provide valuable insights into the FAIR Plan's operations. Joel Laucher, a former chief deputy commissioner of rate regulation, noted that legislative involvement might lead to broader authority over the plan in the future.

The bill is part of a broader legislative effort to address challenges facing the FAIR Plan, including issues with customer service and payment delays. Another bill, AB 226, has been passed to allow the FAIR Plan to secure bond financing, ensuring its ability to pay claims over time. Additionally, AB 290 requires the plan to establish a system for automatic payments by April 2026.