

California's Sustainable Insurance Strategy (SIS) Allows FAIR Plan Assessment Recoupment



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The devastating wildfires in the Los Angeles region earlier this year have caused enormous financial strain on recovery mechanisms, such as the state insurer of last resort - the California FAIR (Fair Access to Insurance Requirements) Plan. The FAIR Plan recently announced a \$1billion dollar assessment on participating insurers, stemming from the Pacific Palisades, Eaton, and subsequent wildfire outbreaks.

California Insurance Commissioner Ricardo Lara's Sustainable Insurance Strategy (SIS) allows some recoupment of FAIR Plan assessments ([Order No. 2025-1: Approving the California FAIR Plan Association's Request to Issue](#)). California Department of Insurance [Bulletin 2025-4](#) provides updated guidance regarding the procedure through which FAIR Plan members may request the Insurance Commissioner's prior approval under Proposition 103 to seek recoupment from their policyholders.

In general, the following requirements are applicable:

- Prior approval, rule filing application in SERFF
- Filings are subject to intervention from Consumer Watchdog and other intervenors
- 50% recoupment, so long as assessment not covered by reinsurance or other recovery mechanism
- Must be filed within 6 months from the date of the FAIR Plan's assessment notice
- SERFF filing must be titled "FPA-2025"
- Assessments are not considered premium
- Filing must be revenue neutral with no other components
- Full requirements are detailed in [Bulletin 2025-4](#)

The Consumer Watchdog has vowed to challenge insurer's ability to recoup FAIR Plan assessments via temporary supplemental fees levied on policyholders ([Homeowner Surcharge to Bailout Insurers for FAIR Plan Losses Unfair and Illegal, Says Consumer Watchdog - Consumer Watchdog](#)).

The ability to recoup assessments via a temporary supplemental fee is untested as the authorizing Bulletin was only weeks old when the Palisades and Eaton fires ignited. The Proposition 103 intervenor process will provide a stage to litigate this issue and most likely other wildfire related issues in the coming weeks and months.

The California Department of Insurance Press Release on Commissioner Lara's key actions on this issue can be found [here](#).

Mitchell Williams [Attorney Jerry Zimmerman](#) provides insurance clients with the comprehensive experience and perspective required to navigate the complex business of insurance. He has extensive experience leading strategy for state and federal insurance-related legislative and regulatory initiatives including

navigating the unprecedented 2022 – 2024 inflation and profitability pressures which resulted in obtaining record rate approvals across the U.S. with a specific focus on New York, Florida, Texas, New Jersey and California.