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AB-226 California FAIR Plan Association. (2025-2026)

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Assembly Bill No. 226

CHAPTER 473

An act to add Section 63087.5 to, and to add Article 11 (commencing with Section 63049.75) to Chapter 2 of Division 1 of Title 6.7 of, the Government Code, and to add Section 10100.3 to the Insurance Code, relating to insurance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor October 09, 2025. Filed with Secretary of State October 09, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 226, Calderon. California FAIR Plan Association.

The California FAIR Plan Association is a joint reinsurance association in which all insurers licensed to write basic property insurance participate in administering a program for the equitable apportionment of basic property insurance for persons who are unable to obtain that coverage through normal channels. Existing law requires the association's plan of operation and any amendment to the plan to be approved by the Insurance Commissioner. Existing law establishes the California Infrastructure and Economic Development Bank and authorizes it to issue bonds to provide funds for the payment of costs of a project for a participating party or upon request by a state entity.

This bill would authorize the association, if granted prior approval from the commissioner, to request the California Infrastructure and Economic Development Bank to issue bonds, and would authorize the bank to issue those bonds to finance the costs of claims, to increase liquidity and claims-paying capacity of the association, and to refund bonds previously issued for that purpose. The bill would specify that the association is a participating party and that financing all or any portion of the costs of claims or to increase liquidity and the claims-paying capacity of the association is a project for bond purposes. The bill would authorize the bank to loan the proceeds of issued bonds to the association, and would authorize the association to enter into a loan agreement with the bank and to enter into a line of credit agreement or other agreement

This bill would require the association, if the above-described bonds, loan agreements, or lines of credit received the prior approval of the commissioner, and if the association is unable to timely and fully meet its repayment obligation, to assess members in the amounts and at the times necessary to timely pay in full all obligations of the association with respect to those bonds, loan agreements, lines of credit, and other agreements, as specified. The bill would authorize the association to secure those bonds, loan agreements, lines of credit, and other agreements by a statutory lien, as specified.

Existing law establishes the California Infrastructure and Economic Development Bank Fund, a continuously appropriated fund, for the purpose of implementing the objectives of the bank.

To the extent that the bill would result in additional revenues being deposited into the California Infrastructure and Economic Development Bank Fund, the bill would make an appropriation.

This bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Article 11 (commencing with Section 63049.75) is added to Chapter 2 of Division 1 of Title 6.7 of the Government Code, to read:

Article 11. California FAIR Plan Association Financing

63049.75. (a) Notwithstanding any other provision of this division, pursuant to Section 10100.3 of the Insurance Code and upon approval of the bank, a financing of the costs of claims or to increase liquidity and claims-paying capacity upon the request of the California FAIR Plan Association shall be deemed to be in the public interest and eligible for financing by the bank. Article 3 (commencing with Section 63040), Article 4 (commencing with Section 63042), Article 5 (commencing with Section 63043), Article 5.5 (commencing with Section 63047.1), Article 6 (commencing with Section 63048), Article 6.3 (commencing with Section 63048.55), Article 6.5 (commencing with Section 63048.6), Article 6.7 (commencing with Section 63048.91), Article 7 (commencing with Section 63049), Article 8 (commencing with Section 63049.6), Article 9 (commencing with Section 63049.67), and Article 10 (commencing with Section 63049.70) shall not apply to that financing provided by the bank.

(b) Notwithstanding any other provision of this division, the bank shall not have authority over any matter that is subject to the approval of, or otherwise regulated by, the Insurance Commissioner under Part 1 (commencing with Section 1880) of Division 2 of the Insurance Code. The bank shall have the right to enforce all obligations of the California FAIR Plan Association under the agreements relating to bonds issued under this section.

(c) The bank may issue taxable or tax-exempt bonds pursuant to Chapter 5 (commencing with Section 63070) to finance the costs of claims or to increase liquidity and claims-paying capacity of the California FAIR Plan Association, and to refund bonds previously issued for that purpose, and may loan the proceeds thereof to the California FAIR Plan Association. Bond proceeds may also be used to fund necessary reserves, capitalized interest, credit or liquidity enhancement costs, and costs of issuance.

(d) Bonds issued under this section shall not be deemed to constitute a debt or liability of the state or of any political subdivision thereof, other than the bank, or a pledge of the faith and credit of the state or of any political subdivision, but shall be payable solely from the revenues and assets securing the bonds. All bonds issued under this article shall contain on the face of the bonds a statement to that effect.

SEC. 2. Section 63087.5 is added to the Government Code, immediately following Section 63087, to read:

63087.5. For purposes of this chapter:

(a) "Participating party" includes the California FAIR Plan Association.

(b) "Project" has the same meaning as defined in Section 63010, and also includes financing all or any portion of the costs of claims or to increase liquidity and the claims-paying capacity of the California FAIR Plan Association in an amount, together with necessary reserves, capitalized interest, credit or liquidity enhancement costs, or costs of issuance, that may be determined by the California FAIR Plan Association, with prior approval from the Insurance Commissioner, in a request to the bank made pursuant to Section 63049.75.

SEC. 3. Section 10100.3 is added to the Insurance Code, immediately following Section 10100.2, to read:

10100.3. (a) If granted prior approval from the commissioner, the association may do all of the following:

(1) Request the California Infrastructure and Economic Development Bank to issue bonds from time to time to finance all or any portion of the costs of claims or to increase liquidity and claims-paying capacity, pursuant to Section 63049.75 of the Government Code.

(2) Enter into loan agreements with the California Infrastructure and Economic Development Bank, pursuant to Section 63049.75 of the Government Code.

(3) Enter into line of credit agreements with one or more entities for the purpose of financing the costs of claims or to increase liquidity and claims-paying capacity and to refund lines of credit previously incurred for that purpose.

(4) Secure those loan agreements, line of credit agreements, or agreements described in paragraph (5) by a pledge of, and the grant of a lien and security interest in, collateral, which may include premiums, revenues, receivables, assessments, and any other assets of the association. That pledge, lien, and security interest is subject to Division 9 (commencing with Section 9101) of the Commercial Code.

(5) Enter into any other agreement or take any other action necessary or convenient to the execution and delivery of bonds, loan agreements, or line of credit agreements.

(b) (1) If the bonds, loan agreements, or lines of credit described in subdivision (a) have received the prior approval of the commissioner as provided in subdivision (a), and if the association is otherwise unable to timely and fully meet its repayment obligation, the association shall assess members in the amounts and at the times necessary to timely pay in full all obligations of the association with respect to those bonds, loan agreements, lines of credit, and all obligations of the association under agreements entered into pursuant to paragraph (5) of subdivision (a).

(2) The FAIR Plan shall not act pursuant to this subdivision without the prior review and approval of the commissioner.

(c) (1) Once approved by the commissioner, specific repayment terms shall not be altered by subsequent amendment to the plan of operation, and amendments to the plan of operation shall not impair the timely payment in full of any obligations of the association with respect to those bonds, loan agreements, lines of credit, and all obligations of the association under agreements entered into pursuant to paragraph (5) of subdivision (a).

(2) The state shall not alter, amend, or restrict the provisions of this section in a manner adverse to the rights and interests of bondholders, credit providers, or other parties who have entered into bonds, line of credit agreements, or other agreements pursuant to paragraph (5) of subdivision (a), for so long as the bonds, lines of credit, or other agreements pursuant to paragraph (5) of subdivision (a) remain outstanding. This subdivision does not preclude altering, amending, or restricting this section if it expressly applies only to agreements issued or entered into on or after the effective date of that alteration, amendment, or restriction.

(3) The association may include the terms of paragraph (2) in an agreement relating to bonds, lines of credit, or other agreements entered into pursuant to paragraph (5) of subdivision (a).

(d) (1) The bonds, loan agreements, lines of credit, and agreements described in paragraph (5) of subdivision (a) may be secured by a statutory lien on all collateral in favor of the bond trustee, line of credit providers, and lenders, as applicable, to secure the payment and performance of all obligations of the association. This shall be a continuous lien on collateral effective from the time the first bond is issued, or the first line of credit agreement is executed and delivered, whether or not a particular item of collateral exists at the time of the issuance or execution and delivery.

(2) The statutory lien shall be valid, effective, prior, perfected, binding, and enforceable without the need for notification, physical delivery, recordation, filing, or further action.

(3) For purposes of this subdivision, the beneficiary of the statutory lien becomes entitled to enforce the lien in accordance with the statute under which it was created if a payment default occurs in connection with a lien.

(e) As long as a bond, loan agreement, or line of credit is outstanding, the association shall not be subject to Article 14 (commencing with Section 1010) or Article 14.3 (commencing with Section 1064.1) of Chapter 1 of Part 2 of Division 1.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

California is now experiencing a severe property insurance availability crisis resulting in needed coverage, typically provided by admitted insurers and licensed surplus line brokers, often being unavailable in the normal insurance market. Consumers who cannot obtain property insurance through admitted or surplus lines insurers are also having to purchase more insurance through the California FAIR Plan Association, and the number of policies in the association has continued to grow. Because of this increase and the growing wildfire risk in the state, the FAIR Plan must be ready for catastrophic events, for which the FAIR Plan needs access to as many financial tools as possible at all times.

The Legislature finds that access to basic property insurance suitable for protection of all types of habitational risk, including personal and commercial lines of insurance, has become increasingly unavailable and that, as a result, all Californians may suffer because of this unavailability. In order for insurance consumers to obtain adequate policy coverage from the California FAIR Plan, which is subject to regulation by the commissioner, as soon as possible, it is necessary that this act take effect immediately.