BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of THE CALIFORNIA FAIR PLAN ASSOCIATION, Respondent.	ORDER NO. 2025-1 APPROVING THE CALIFORNIA FAIR PLAN ASSOCIATION'S REQUEST TO ISSUE ASSESSMENT [Insurance Code §§ 10094 and 10095]

WHEREAS, the California FAIR Plan Association ("FAIR Plan") is a private association of all admitted insurers licensed to write and engaged in writing *Basic Property Insurance* in California created by the Governor and Legislature more than 50 years ago, governed by Chapter 9 of Part 1, Division 2 of the California Insurance Code,[1] sections 10090 et seq. ("Chapter 9");

WHEREAS, pursuant to section 10095, subdivisions (f) and (g), administration of the FAIR Plan is subject to the supervision of the California Insurance Commissioner ("Commissioner");

WHEREAS, pursuant to section 10090, the FAIR Plan's purposes are:

> (a) to assure stability in the property insurance market for property located in the State of California;
> (b) to assure the availability of *basic property insurance* as defined by [Chapter 9];
> (c) to encourage maximum use, in obtaining *basic property insurance*, of the normal insurance market provided by admitted insurers and licensed surplus line brokers; and
> (d) to provide for the equitable distribution among admitted insurers of the responsibility for insuring qualified property for which *basic property insurance* cannot be obtained through the normal insurance market by the establishment of a FAIR Plan…;
> (Italics added.)

WHEREAS, pursuant to Insurance Code section 10095, subdivision (c), all FAIR Plan member insurers must participate in the writings, expenses, profits, and losses of the Association as specified further therein, and pursuant to Insurance Code section 10094, subdivision (c), the Commissioner has authority to approve the FAIR Plan's request for assessment of all members in amounts sufficient to operate the facility;

WHEREAS, the most recent FAIR Plan assessments followed the 1993 Kinneloa Fire in Altadena and the Old Topanga Fire in Malibu and Topanga, which affected some of the same areas as the 2025 fires — claiming three lives and destroying nearly 550 structures in those devastating incidents[2] – and

[1] All statutory citations are to Chapter 9 of Part 1, Division 2 of the California Insurance Code, section 10090 *et seq.*
[2] *See* Wildfires in Los Angeles County - Wildfire Los Angeles

previous insurance commissioners approved $260 million, or approximately $563 million in today's dollars[3], in assessments for those fires and for the fires following the 1994 Northridge Earthquake;

WHEREAS, pursuant to Insurance Code section 10095, subdivisions (f) and (g), the FAIR Plan's Plan of Operation is subject to the approval of the Commissioner;

WHEREAS, the current version of the Plan of Operation, Ed. 8/27/24 ("Current Plan") provides for the FAIR Plan to issue a pro-rata assessment on all Plan members, with the Commissioner's prior approval, if the FAIR Plan is substantially threatened with insolvency because its retained earnings, investment income, reinsurance proceeds, any available line of credit, and any proceeds from the sale of catastrophe bonds, if available, are insufficient to pay all of the Plan's losses and operating expenses as they come due;

WHEREAS, the Current Plan provides that, if the FAIR Plan is substantially threatened with insolvency, the FAIR Plan's remaining liabilities shall be paid through an assessment calculated in accordance with of the Current Plan and California Insurance Code sections 10094 and 10095;

WHEREAS, on January 7, 2025, California Governor Gavin Newsom issued a "Proclamation of a State of Emergency,"[4] and on February 4, 2025, issued Executive Order N-17-25[5] due to fire and windstorm conditions that caused multiple fires in Los Angeles and Ventura counties, including the Palisades, Eaton, Hurst, Lidia, Sunset, Woodley, and Hughes Fires (collectively, "January 2025 Southern California wildfires");

WHEREAS, on January 13, 2025, California Insurance Commissioner Ricardo Lara issued a "Declaration of Emergency Situation"[6] to assure that there would be sufficient qualified insurance adjusters available to handle claims and assist Californians impacted by the devastating January 2025 Southern California wildfires;

WHEREAS, the January 2025 Southern California wildfires devastated communities across the Greater Los Angeles Area and have collectively burned over 47,900 acres, destroying or damaging more than 16,250 structures, including homes, small businesses, schools, child care facilities, and places of

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[3] *See* https://www.bls.gov/data/inflation_calculator.htm
[4] *See* SOE_Palisades-Fire_1-7-25_Formatted.pdf
[5] *See* https://www.gov.ca.gov/wp-content/uploads/2025/02/EO-N-17-25.pdf
[6] *See* https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/insurance-commissioner-ricardo-lara-declaration-of-emergency-situation-adjusters-1-13-25.pdf

worship (*see* Executive Order N-17-25, linked at footnote 3);

WHEREAS, the January 2025 Southern California wildfires have destroyed entire neighborhoods and communities, forcing tens of thousands of Californians to evacuate and leaving residents and other impacted individuals traumatized and uncertain about the status of their homes, property, businesses, places of worship, and other community locales (*see* Executive Order N-17-25, linked at footnote 3);

WHEREAS, as of February 9, 2025, the FAIR Plan reports it has received 3,469 claims resulting from the Palisades fire and 1,325 claims from Eaton fire, which were the most destructive fires, in addition to over 500 claims related to other wildfire, wind, and non-catastrophe claims that fall outside the FAIR Plan's reinsurance cover, and the FAIR Plan reports it is receiving new claims on a daily basis;

WHEREAS, since the January 2025 Southern California wildfires began, the Commissioner and the California Department of Insurance have urged the FAIR Plan to pay out claims to consumers as expeditiously as possible and have monitored the FAIR Plan's payment of claims and its financial situation, and the FAIR Plan reports it is advancing payments of 50% of the dwelling coverage, 50% of the contents, and up to 12 months of Fair Rental Value on confirmed total losses;

WHEREAS, as of February 9, 2025, the FAIR Plan reports it has paid $914 million in claims and has reserved an additional $3.251 billion to pay remaining claims resulting from the Palisades and Eaton fires;

WHEREAS, the FAIR Plan has reported total retained earnings of $510 million as of December 31, 2024, before ignition of the January 2025 Southern California wildfires, but has now exhausted those funds and its remaining cash on hand of $1.2 billion is reserved for other liabilities that have been incurred but not yet paid;

WHEREAS, the FAIR Plan has reported that it does not yet have a line of credit in place or the ability to issue catastrophe bonds to pay for claims related to the January 2025 Southern California wildfires, but is continuing its efforts to secure a line of credit and access to catastrophe bonds to further enhance its ability to pay claims in the event of future disasters;

WHEREAS, the FAIR Plan's Accounting Committee met and considered the impact of the January 2025 Southern California wildfires on the FAIR Plan's financial situation, determined that the FAIR Plan would need an assessment to continue paying claims without interruption, and voted to recommend that the Governing Committee request the Commissioner's approval to levy an assessment on member insurance companies to ensure that the FAIR Plan would have sufficient operating capital to continue paying policyholder claims without interruption;

WHEREAS, the FAIR Plan's Governing Committee considered the information provided by the Accounting Committee, determined that the FAIR Plan would need an assessment to continue paying claims, and approved the Accounting Committee's request to seek the Commissioner's approval to assess its member insurance companies to ensure that the FAIR Plan would have sufficient operating capital to continue paying policyholder claims without interruption;

WHEREAS, by letter dated February 11, 2025, attached hereto as **Exhibit A**, the FAIR Plan, 1) requested the Commissioner's approval to levy an assessment totaling $1 billion on its member insurance companies to ensure that the FAIR Plan would have sufficient operating capital to continue paying policyholder claims without interruption, and 2) provided detailed financial information to support its request for assessment, including a showing that, without assessment, the FAIR Plan's available funds, from retained earnings and net reinsurance proceeds, will not be sufficient to pay reserved claims as they come due;

WHEREAS, in support of its request for authority to issue an assessment on its member insurance companies, the FAIR Plan presented additional information to Department staff charged with monitoring the FAIR Plan's claims handling and finances in the wake of the January 2025 Southern California wildfires, demonstrating that the FAIR Plan's retained earnings and net reinsurance proceeds are not sufficient to continue paying claims and operating expenses as they come due, and placing the FAIR Plan in substantial danger of insolvency unless it is authorized to levy an assessment on its member insurance companies to collect enough capital to continue operating and paying claims as they come due;

WHEREAS, the FAIR Plan reported that its reinsurance only covers fire and can only be triggered at intervals based on the losses it expects to pay in the next 30 days, and that after triggering layers 1-3 in January, layers 4-5 in February, layer 6 in March, and the necessary portion of layer 7 in April, the FAIR Plan will receive a net total of $1.45 billion in reinsurance cover for claims arising from the devastating

January 2025 Southern California wildfires that will become due and payable through April 2025;

WHEREAS, the FAIR Plan reported that it has estimated its total loss from the Palisades and Eaton fires at approximately $4 billion and anticipates paying 75%, or $2.34 billion, of the remaining $3.125 billion reserved for unpaid losses from the Palisades and Eaton fires during March, April, and May 2025, in addition to other claims which are outside the FAIR Plan's reinsurance cover which, due to advances in technology, is much faster than its historic pay rate of 66%;

WHEREAS, as of the date of this Order, the FAIR Plan has reported that, if the requested assessment is not approved by the Commissioner, it will not have sufficient funds, by the end of March 2025, to continue paying claims related to the January 2025 Southern California wildfires, losses from unrelated or subsequent events, and other operating expenses, including reinsurance for 2025-26 and the cost of increasing staff to respond to the disaster; and,

WHEREAS, based on the foregoing information, the Commissioner is satisfied that the FAIR Plan has demonstrated that it is in substantial danger of insolvency unless it is authorized to assess its member insurance companies $1 billion to be collected in March 2025, and that the requested assessment is necessary to provide the FAIR Plan with sufficient funds to keep operating and promptly pay claims without interruption.

ORDER 2025-1

Based on the foregoing recitals and information provided by the FAIR Plan as of the date of this Order, including Exhibit A hereto, the Commissioner finds that the FAIR Plan is faced with a substantial threat of insolvency due to unprecedented losses from the January 2025 Southern California wildfires and wind events, and has demonstrated that an assessment is necessary in order to ensure that the FAIR Plan may continue operating and promptly pay claims without interruption so that policyholders impacted by these devastating events can begin to rebuild their lives. Furthermore, the Commissioner believes a stable and solvent FAIR Plan, as the state's insurer of last resort, is critical to ensure a reliable, yet temporary, safety net that is there when consumers need it, and when they otherwise cannot find insurance coverage in the traditional or non-admitted / surplus line markets.

Therefore, the Commissioner orders as follows:

1. The FAIR Plan's request for an assessment in the amount of $1 billion is APPROVED;

2. The FAIR Plan must calculate each member insurer's assessment participation in accordance with the Plan of Operation (Ed. 8/27/24) and California Insurance Code sections 10094 and 10095;

3. This Order is final immediately upon execution;

4. Once served with an executed copy of this Order, the FAIR Plan may immediately begin issuing assessment participation notices to its member insurers, with member insurers to remit payment to the FAIR Plan within 30 days of the date that the FAIR Plan sends notice of the amount due; and,

5. The FAIR Plan maintains constant and immediate communication with Department staff to ensure the FAIR Plan remains solvent and continues to operate and promptly pay consumer claims without interruption.

IT IS SO ORDERED.

Executed this 11th day of February, 2025

By ______________________
RICARDO LARA
California Insurance Commissioner

EXHIBIT A

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

PROCLAMATION OF A STATE OF EMERGENCY

WHEREAS on January 7, 2025, the Palisades Fire ignited in Los Angeles County, burning over 1,200 acres as of the time this Proclamation is issued; and

WHEREAS high winds, low humidity, and dry conditions have increased the intensity and spread of the Palisades Fire, causing imminent threat to life with Red Flag warnings in effect in Los Angeles and Ventura Counties and widespread dangerous windstorm conditions with damaging wind gusts of 50 to 80 mph forecasted; and

WHEREAS the Palisades Fire and windstorm conditions threaten structures, homes, and critical infrastructure, including power lines and water tanks, and have prompted evacuation orders and warnings and impacted the access route to the Palisades Highlands community; and

WHEREAS in response to a request from the Governor's Office of Emergency Services, the Federal Emergency Management Agency approved a Fire Management Assistant Grant to assist with the mitigation, management, and control of the Palisades Fire on January 7, 2025; and

WHEREAS under the provisions of Government Code section 8558(b), I find that conditions of extreme peril to the safety of persons and property exist due to impacts of the Palisades Fire and windstorm conditions in Los Angeles and Ventura Counties; and

WHEREAS under the provisions of Government Code section 8558(b), I find that the conditions caused by the Palisades Fire and windstorm conditions, by reason of their magnitude, are beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to appropriately respond; and

WHEREAS under the provisions of Government Code section 8625(c), I find that local authorities are inadequate to cope with the magnitude of the damage caused by the Palisades Fire and windstorm conditions; and

WHEREAS under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this Proclamation would prevent, hinder, or delay the mitigation of the effects of the Palisades Fire and windstorm conditions.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes, including the California Emergency Services Act, and in particular, Government Code section 8625, **HEREBY PROCLAIM A STATE OF EMERGENCY** to exist in Los Angeles and Ventura Counties due to the Palisades Fire and windstorm conditions.

IT IS HEREBY ORDERED THAT:

1. All agencies of the state government utilize and employ state personnel, equipment, and facilities for the performance of any and all activities consistent with the direction of the Office of Emergency Services and the State Emergency Plan. Also, all residents are to obey the direction of emergency officials with regard to this emergency in order to protect their safety.

2. The Office of Emergency Services shall provide assistance to local governments, if appropriate, under the authority of the California Disaster Assistance Act, Government Code section 8680 et seq., and California Code of Regulations, Title 19, section 2900 et seq.

3. As necessary to assist local governments and for the protection of public health and the environment, state agencies shall enter into contracts to arrange for the procurement of materials, goods, and services necessary to quickly assist with the response to and recovery from the impacts of this emergency. Applicable provisions of the Government Code and the Public Contract Code, including but not limited to travel, advertising, and competitive bidding requirements, are suspended to the extent necessary to address the effects of this emergency.

4. The California National Guard may be mobilized under Military and Veterans Code section 146 to support disaster response and relief efforts, as directed by the Office of Emergency Services, and to coordinate with all relevant state agencies and state and local emergency responders and law enforcement within the impacted areas. Sections 147 and 188 of the Military and Veterans Code are applicable during the period of participation in this mission, exempting the California Military Department from applicable procurement rules for specified emergency purchases, and those rules are hereby suspended.

5. Adequate state staffing during this emergency is necessary for all state agencies and departments with an assigned response and/or recovery role. Consistent with applicable federal law, work hour limitations for retired annuitants, permanent and intermittent personnel, and state management and senior supervisors, are suspended. Furthermore, reinstatement and work hour limitations in Government Code sections 21220, 21224(a), and 7522.56(b), (d), (f), and (g), and the time limitations in Government Code section 19888.1 and California Code of Regulations, title 2, sections 300-303 are suspended. All other restrictions must be adhered to for retired annuitants. The Director of the California Department of Human Resources must be notified of any individual employed in state government pursuant to these suspensions. The suspension of statutes identified in this Paragraph shall also apply to local governments, as applicable, to ensure adequate staffing to appropriately respond to this emergency in Los Angeles and Ventura Counties. Local governmental agencies shall notify the California Public Employees' Retirement System of any individual employed by an agency pursuant to this Paragraph.

6. The limitation for the period of employment for State Personnel Board emergency appointments, as provided in Government Code section 19888.1, is suspended for positions required for emergency response and/or recovery operations related to this emergency in Los Angeles and Ventura Counties. The requirements and period of employment for such appointments will be determined by the Office of Emergency Services, but shall not extend beyond the termination date of the State of Emergency.

I FURTHER DIRECT that as soon as hereafter possible, this Proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Proclamation.

This Proclamation is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 7th day of January 2025.

GAVIN NEWSOM
Governor of California

ATTEST:

SHIRLEY WEBER, PH.D.
Secretary of State

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-17-25

WHEREAS on January 7, 2025, I proclaimed a State of Emergency to exist in Los Angeles and Ventura Counties due to fire and windstorm conditions that caused multiple fires, including the Palisades, Eaton, Hurst, Lidia, Sunset, Woodley, and Hughes Fires; and

WHEREAS since the fires began, I have issued several Executive Orders to bolster the emergency response to the rapid spread of these fires throughout Los Angeles and Ventura Counties, and to expedite recovery efforts in the impacted communities; and

WHEREAS these fires devastated communities across the Greater Los Angeles Area and have collectively burned over 47,900 acres, destroying or damaging more than 16,250 structures, including homes, small businesses, schools, child care facilities, and places of worship, with initial estimates placing this disaster among the most destructive in California history; and

WHEREAS these fires have destroyed entire neighborhoods and communities, leaving residents and other impacted individuals traumatized and uncertain about the status of their homes, property, businesses, places of worship, and other community locales; and

WHEREAS it is important that impacted individuals and families not be unfairly penalized for failing to meet program deadlines and/or fee requirements for participation in state social services programs; and

WHEREAS continued provision of social services by local agencies and contractors is especially important in the aftermath of this emergency and their important work should not be unduly burdened by regulatory requirements that they may be unable to meet because of the displacement and disruption caused by this emergency; and

WHEREAS local educational agencies are obligated to continue serving students who were enrolled, but lost their residence and may be temporarily living outside of district boundaries due to the fires throughout Greater Los Angeles Area pursuant to Education Code section 48852.7, but, given the extent of the impacts on schools, additional flexibility is needed to accommodate students who have been displaced and utilize temporary facilities to support continuity of education; and

WHEREAS protections against price gouging for rental housing safeguard against unjustified and opportunistic price surges in times of emergency, and for housing that has no pre-emergency baseline price because it was not recently rented California's price gouging law caps rental prices based on federal estimates of "fair market rent," but a careful balance is necessary to ensure these provisions accurately reflect the reasonable costs of housing in Los Angeles County and do not discourage available housing from coming on the market; and

WHEREAS under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this Order would prevent, hinder, or delay the mitigation of the effects of these Los Angeles County fires and windstorm conditions.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes, including the California Emergency Services Act, and in particular, Government Code sections 8567, 8571, and 8627, do hereby issue the following Order to become effective immediately.

IT IS HEREBY ORDERED THAT:

1. The requirement imposed by section 8258 of the Education Code limiting administrative costs for state-funded preschool programs to fifteen percent of net reimbursable costs is suspended for contracting agencies directly impacted by this emergency in Los Angeles and Ventura Counties. The Department of Education may reimburse approvable administrative costs for such California State Preschool contractors in Los Angeles and Ventura Counties incurred prior to June 30, 2025, in excess of fifteen percent of net reimbursable costs.

2. The deadline for families in Los Angeles and Ventura Counties experiencing homelessness and enrolling in the California Department of Education (CDE) California State Preschool Program or California Department of Social Services (CDSS) Child Care and Development program to submit required documentation, as specified in Title 5, sections 17771(e) and 18090(e) of the California Code of Regulations, and which would otherwise be due prior to January 1, 2026, is extended for an additional 60 days beyond the date such documentation would otherwise be due.

3. The requirement to conduct a program self-evaluation, as specified in Title 5, sections 17709 and 18279 of the California Code of Regulations, is suspended until June 30, 2025, for CDE California State Preschool Program contractors and CDSS Child Care and Development contractors impacted by this emergency in Los Angeles and Ventura Counties.

4. The requirement to conduct a parent survey, as specified in Title 5, sections 17710 and 18280 of the California Code of Regulations is suspended until June 30, 2025, for CDE California State Preschool Program contractors and CDSS Child Care and Development contractors impacted by this emergency in Los Angeles and Ventura Counties.

5. Paragraph 5 of Executive Order N-6-25 is withdrawn and replaced by the following:

   Residency requirements are suspended for the remainder of the 2024-2025 school year, including those set forth in Education Code sections 48200 and 48204, for students displaced by this emergency or attending schools in Los Angeles County that were damaged or destroyed by this emergency.

6. Any applicable deadline to complete a Desired Results Developmental Profile, as specified in Title 5, sections 17702 and 18272 of the California Code of Regulations, is extended until June 30, 2025, for CDSS Child Care and Development programs and CDE California State Preschool Program contractors impacted by the emergency in Los Angeles and Ventura Counties.

7. Any applicable deadline to complete an Environmental Rating Scale, as specified in Title 5, section 18281 of the California Code of Regulations, is extended until June 30, 2025, for CDSS Child Care and Development programs contractors impacted by the emergency in Los Angeles and Ventura Counties.

8. Notwithstanding Welfare & Institutions Code sections 14132.100, 14132.101, 14132.107, 14170, and 14087.325(e)(2), the deadlines for providers to submit, and for the Department of Health Care Services to review, a cost report, change in scope of service request, or reconciliation request are each extended 90 days beyond the date on which such would otherwise be due for providers impacted by this emergency in Los Angeles or Ventura Counties.

9. To ensure that individuals with developmental disabilities continue to receive the services and supports mandated by their individual program plans, the Director of the Department of Developmental Services may issue directives suspending any provision or requirement of the Lanterman Developmental Disabilities Services Act (Welf. & Inst. Code, §§ 4500 et seq.), the California Early Intervention Services Act (Gov't. Code, §§ 95000 et seq.), and any accompanying regulations of Title 17, Division 2 of the California Code of Regulations. A directive may delegate to the regional centers any authority granted to the Department by law where the Director believes such delegation is necessary to ensure continued services to individuals with developmental disabilities. The Director shall describe the need justifying the suspension granted in each directive, including why the suspension is necessary to protect public health or safety or to ensure that services to individuals with developmental disabilities are not disrupted. Any suspension granted pursuant to this Paragraph shall expire 30 days from the date of its issuance. The Director may grant one or more 30-day extensions if the suspension continues to be necessary to protect health or safety or to ensure delivery of services. The Director shall rescind a suspension once it is no longer necessary to protect public health or safety or ensure delivery of services. Any suspensions and extensions granted pursuant to this Paragraph shall be posted on the Department's website.

10. For families who were subject to an evacuation order or warning as a result of this emergency, any state laws or regulations requiring completion of a semiannual report or annual redetermination of eligibility for the California Work Opportunity and Responsibility to Kids (CalWORKs) program, including but not limited to sections 11265 and 11265.1 of the Welfare and Institutions Code, are suspended until April 30, 2025, and such families shall have their certification period extended for a period of six months, contingent on securing a federal waiver of the same requirements for the CalFresh program. Families who were subject to an evacuation order or warning as a result of this emergency, and would have otherwise been discontinued for failure to file a semiannual report or annual redetermination in January 2025, shall have their certification period extended until July 31, 2025.

11. Any deadline on or before April 1, 2025, for public officials in Los Angeles County to file the following reports or statements is extended by 60 days:

a. A report of behested payments as required by section 84224 of the Government Code or associated regulations.
b. For officials assuming office, a statement of financial interests as required by section 87202 of the Government Code or associated regulations, or any similar statement required by a Conflict of Interest Code adopted by an agency pursuant to sections 87300 and 87302 of the Government Code or associated regulations.
c. For officials leaving office, a statement of financial interests as required by section 87204 of the Government Code or associated regulations.

12. Paragraph 3 of Executive Order N-3-25 is withdrawn.

13. For Small Cities Community Development Block Grants (CDBG) allocated pursuant to sections 50825 to 50834.5 of the Health and Safety Code, funds allocated to jurisdictions in Los Angeles County for fiscal year 2025 shall not be considered part of the total program funds allocated for that fiscal year for purposes of the requirement in subdivision (a) of section 50827 that thirty percent of the annual allocation of grant funds, less administrative expenses, be set aside for economic development projects and programs.

14. Any deadline provided by sections 6592 and 6593 of the Revenue and Taxation Code, or associated rules or regulations, for the filing of a statement under penalty of perjury setting forth the facts for a claim for relief as a result of a disaster, is extended for a period of three months after the due date of the return or payment.

15. In addition to the ZIP codes identified therein, Paragraph 1 of Executive Order N-7-25, which prohibits unsolicited offers to purchase real property for an amount less than the fair market value of the property, and Paragraph 1 of Executive Order N-10-25, which suspends until April 10, 2026 penalties, costs, or interest for the failure to pay property taxes, shall also apply in ZIP codes 91024, 91103, and 91367. All other provisions of those paragraphs remain unchanged.

16. Penal Code section 396, subdivisions (e) and (j)(11)(B), as applied to housing not rented and not offered for rent within one year prior to the proclamation of a state emergency, are suspended, until March 8, 2025, to the extent they restrict the rental price of single family homes of four bedrooms or more in the following U.S. Postal Service ZIP Codes, for which the Small Area Fiscal Year 2025 Fair Market Rent calculated by the U.S. Department of Housing and Urban Development is or exceeds $5,500 for four-bedroom units: 90015, 90049, 90067, 90077, 90094, 90210, 90263, 90265, 90266, 90272, 90274, 90275, 90290, 90291, 90292, 90703, 91011, 91105, 91210, 91301, 91302, 91307, 91354, 91364, 91436, 91709, and 91789.

17. For purposes of the price gouging protections codified in section 396 of the Penal Code, the limitation of the definition of "housing" in Penal Code section 396, subdivision (j)(10), to rental housing "with an initial lease term of no longer than one year" is suspended, and the definition shall include any rental housing, regardless of the initial lease term.

I FURTHER DIRECT that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Order.

This Order is not intended to, and does not, create any rights or benefits, substantive, or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 4th day of February 2025.

GAVIN NEWSOM
Governor of California

ATTEST:

SHIRLEY N. WEBER, PH. D
Secretary of State

STATE OF CALIFORNIA

DEPARTMENT OF INSURANCE

DECLARATION OF EMERGENCY SITUATION
by the
Insurance Commissioner of the State of California

WHEREAS, on January 7, 2025, California Governor Gavin Newsom proclaimed a state of emergency for the Los Angeles and Ventura Counties area due to the Palisades fire burning in California as a result of windstorm conditions; and

WHEREAS, the dwellings of thousands of California residents have been destroyed or damaged, hundreds of business structures have been destroyed or damaged, and tens of thousands of California residents have been evacuated from their homes by the Palisades, Eaton, and several other fires; and

WHEREAS the magnitude of these fires and the associated insurance claims are likely to create a shortage of qualified insurance adjusters;

NOW, I, RICARDO LARA, Insurance Commissioner of the State of California, in accordance with the authority vested in me by Section 14022.5(a) of the California Insurance Code, HEREBY DECLARE AN EMERGENCY SITUATION to exist with respect to the adjustment of insurance claims arising from the wildfires.

THEREFORE, I AUTHORIZE insurers and licensed insurance adjusters to be able to utilize nonlicensed adjusters to the extent such use is reasonably necessary to respond to the losses arising out of the wildfires if each of the following three requirements are met:

1. The work performed by nonlicensed adjusters is under the active direction, control, charge, and/or management of a qualified licensed adjuster, qualified manager, or an insurer authorized to do business in California.

2. The nonlicensed adjuster register with the Insurance Commissioner within 15 days from the date on which the nonlicensed adjuster commences the claims adjusting activity in connection with the wildfires. To be registered, nonlicensed adjuster's qualified licensed adjuster, qualified manager, or insurer are to access the Emergency Declaration link available on the Department's Independent Insurance Adjuster Registration and Certification Online Services. During the registration process, the nonlicensed adjusters will be sent an email from their manager or insurer with instruction to complete the required *Certification – Adjusters Not Licensed in California, Declared Emergency Situation by the Commissioner, CDI-184.* The nonlicensed adjuster's qualified licensed adjuster, qualified manager may need to re-register nonlicensed adjusters with the Insurance Commissioner, if necessary, in conformity with California Insurance Code sections 14022.5(c) and 14046. Registration is valid for a period of 180 days from the date of the registration.

3. All claims adjusters, whether California-licensed or not, who are assigned to wildfire claims must be properly trained on the California Unfair Practices Act, the Fair Claims Settlement Practices Regulations, and all laws relating to property and casualty insurance claims handling.

Any qualified licensed adjuster, qualified manager, or insurer authorized to do business in California who actively directs, controls, charges, and/or manages a nonlicensed adjuster may be held liable and may be subject to civil penalties for any actions associated with this emergency situation by a nonlicensed adjuster deemed in violation of the California Unfair Practices Act, the Fair Claims Settlement Practices Regulations, and any laws relating to property and casualty insurance claims handling.

IN WITNESS WHEREOF I have hereunto set my hand and caused my official seal to be affixed this 13th day of January, 2025.

RICARDO LARA
Insurance Commissioner

CALIFORNIA FAIR PLAN PROPERTY INSURANCE

February 11, 2025

The Honorable Ricardo Lara
Insurance Commissioner of California
300 Capitol Mall, Suite 1700
Sacramento, CA 95814

Dear Commissioner Lara:

The unprecedented Southern California wildfires have had a devastating impact on many Southern California residents. The California FAIR Plan Association (FAIR Plan) is committed to helping its customers who have suffered losses from these horrific fires, and we remain focused on paying all covered claims promptly. Indeed, the FAIR Plan is paying more than required, since on confirmed total losses we are advancing 50% of the dwelling coverage, 50% of the contents (when only 30% is required) and up to 12 months of Fair Rental Value. We are evaluating the 100% contents payments without inventory as requested in the February 6, 2025 CDI Notice and will respond to the Department by the February 28, 2025 deadline.

As we have discussed with the California Department of Insurance (CDI), the claims associated with these fires have presented a significant financial challenge to the FAIR Plan.

To meet the collective goal of paying covered claims as quickly as we can, we write to respectfully ask you to approve an assessment of all member companies pursuant to California Insurance Code section 10094(c) and the Plan of Operation as approved by your Order 2024-2, dated August 27, 2024. As set forth below, our Accounting Committee and, subsequently, our Governing Committee have approved an assessment in the amount of $1 billion, and this assessment is needed immediately to enable us to continue to pay claims of our policyholders and maintain our operations.

Authority for Assessment

California Insurance Code section 10094(c) provides, in pertinent part: "The program may provide, with the approval of the commissioner for assessment of all members in an amount sufficient to operate the facility . . ."

California Insurance Code section 10095(c) provides, in pertinent part, "Under the plan, an insurer shall participate in the writings, expenses, profits and losses of the association in the proportion that its premiums written during the second preceding calendar year bear to the aggregate premiums written by all insurers in the program, excluding that portion of the premiums written attributable to the operation of the association."

Significantly, these statutes were enacted as part of the original FAIR Plan legislation in 1968. Thus, the legislation that created the FAIR Plan always contemplated industry assessments if the FAIR Plan was unable to pay claims. This funding mechanism has been triggered in the past. In 1993, the FAIR Plan assessed the industry following fires in Altadena and Malibu. We assessed again in 1994 and 1995 following the Northridge Earthquake. In total, FAIR Plan assessed the industry $260 million.

The Plan of Operation also expressly permits assessments with your approval.

Anticipated Claim Payments

As of February 9, 2025, the FAIR Plan has received approximately 3,469 claims for damage caused by the Palisades Fire and approximately 1,325 claims for damage caused by the Eaton Fire. Approximately 97% of the almost 4,800 claims received are for damage to residential dwellings with less than 3% of the claims on commercial structures. The claims vary according to the type and amount of coverage and loss. In addition, the FAIR Plan has received over 500 claims apart from these wildfires during the same period, including windstorm and fire claims unrelated to the wildfires. New claims, including new total loss claims related to the wildfires, continue to be reported daily. Below are the paid and outstanding reserves amounts by wildfire as of February 9, 2025:

Wildfire	Paid Losses	Outstanding Reserves (including IBNR*)	Total Incurred Losses	Total Received Claims
Palisades	$763,000,000	$2,641,000,000	$3,404,000,000	3,469
Eaton	$151,000,000	$484,000,000	$635,000,000	1,325
Total	**$914,000,000**	**$3,125,000,000**	**$4,039,000,000**	**4,794**

*IBNR – Incurred but not reported losses, reserves for which are actuarially determined.

Approximately 45% of the wildfire claims are reported as total losses, 45% are reported as partial (including smoke) and 10% are reported as Fair Rental Value only. These may shift as new claims are submitted and we continue to confirm that the claims are, in fact, as initially reported before policyholders were able to return to their homes and determine the extent of the damage. For claims reported as total losses, the reserves are generally set at policy limits for Coverages A - Dwelling, C – Contents and D – Fair Rental Value, then updated if the property was not, in fact, a total loss. The converse is also true; some claims were not reported as total losses and, upon review, they appear to be. We are updating reserves as more information becomes available to us. Reserves for additional coverages, such as Extended Dwelling, separate Coverage B and debris removal, are set during claim adjustment.

Historically, the FAIR Plan has paid losses on catastrophic events at a rate of 50-60% of ultimate loss in the first 3 months after the event(s). Current technology, such as aerial imagery and interactive fire maps, has allowed us to pay more claims for total losses far more quickly than in the past. The FAIR Plan is paying dwelling limits on total losses if it's determined that the loss is more than 90% of the Coverage A policy limit.

As a result, the FAIR Plan anticipates paying claims out during the first 3 months at a rate of 75%. It should be noted that the FAIR Plan is also advancing 50% of personal property limits (rather than the statutorily mandated 30%) without a request for an inventory listing. For a confirmed total loss, we are advancing up to 100% of the personal property coverage on a total loss if the Coverage C limits are $250,000 or less, and up to twelve months of Fair Rental Value.

Sources of Payment

As of January 1, 2025, before the Palisades and Eaton fires, the FAIR Plan had cash on hand of $1.5 billion, which includes unallocated funds of $510,000,000 as well as other funds typically reserved for liabilities incurred (but not yet paid). The unallocated funds would be considered "surplus" for voluntary market companies but as set forth in Insurance Code section 10095(c) those funds belong to our member companies. The FAIR Plan has now exhausted these unallocated funds and has cash on hand of approximately $1.2 billion.

We operate on a "cash-in, cash-out" basis, and we evaluate our cash flow needs regularly to ensure that we can continue our operations in the event of a catastrophe. In addition to the significant claim payments we are making, we have additional, unbudgeted expenses for the catastrophe adjusters and examiners helping us respond to claims. We also have our usual operating expenses, including the initial premium deposit for the 2025-2026 reinsurance tower which will be due on or about March 1, and reinstatement premiums for our current reinsurance tower, which will be deducted from the first seven layers of reinsurance the FAIR Plan has to fund to claims payments resulting from this disaster.

The FAIR Plan currently has reinsurance to cover a portion of its wildfire losses up to $5.78 billion, less the deductible and co-pays. There are varying layers of reinsurance. The first three layers available require the FAIR Plan to meet a deductible for losses up to $900 million and then reinsurance would provide $350 million for additional losses above the deductible. After this initial $1.25 billion, the FAIR Plan can access additional layers of reinsurance based on incurred losses and outstanding reserves up to the tower limit of $5.78 billion. Each layer includes varying percentages of co-reinsurance for each subsequent layer, similar to co-pays, subject to certain conditions. To access all available layers of reinsurance, the FAIR Plan is responsible for paying up to approximately $3.5 billion of the $5.78 billion tower (including the $900 million retention) in the deductible and co-reinsurance.

	Layer	Total Losses Incurred	Reinsurance available	Co-reinsurance (FAIR Plan co-pay)	Total Reinsurance Tower
	Layer 8	$5,750,000,000	$542,523,000	$557,477,000	**$1,100,000,000**
Trigger a portion of layer 7 in April	Layer 7	$4,650,000,000	$406,620,000	$643,380,000	**$1,200,000,000**
Trigger layer 6 in March	Layer 6	$3,450,000,000	$373,680,000	$376,320,000	**$600,000,000**
Trigger layers 4-5 at the beginning of February	Layer 5	$2,850,000,000	$220,980,000	$379,020,000	**$600,000,000**
	Layer 4	$2,250,000,000	$393,000,000	$207,000,000	**$600,000,000**
Triggered layers 1, 2, and 3 in January	Layer 3	$1,650,000,000	$344,400,000	$55,600,000	**$400,000,000**
	Layer 2	$1,250,000,000	$200,000,000	$0	**$200,000,000**
	Layer 1	$1,050,000,000	$150,000,000	$0	**$150,000,000**
	Retention	$900,000,000	$0	$900,000,000	**$900,000,000**
	Total		**$2,631,203,000**	**$3,118,797,000***	**$5,750,000,000**

*$3.1B does not include reinsurance reinstatement premiums, which we are contractually obligated to pay as we trigger Layers 1-6. The total FAIR Plan portion is $3.5B, including reinstatement premiums.

The trigger for each reinsurance layer is based on the projected losses the FAIR Plan expects to pay within the next 30 days. The FAIR Plan has triggered recoveries on the first three layers of the reinsurance contract and has already started receiving funds.

The FAIR Plan continues to work with lenders and the CDI to procure a line of credit so we can be prepared to pay claims that may result from future catastrophes. The FAIR Plan further supports Assembly Bill 226, which would provide possible long-term funding opportunities through catastrophe bonds.

The FAIR Plan is monitoring its cash position on a daily basis. Cash projections take into account the monthly cash inflows and cash outflows based on an average of the previous 6 months' activity. The projected monthly cash position includes underwriting profit (i.e., written premium less attritional losses and less operating expenses) plus investment income, and catastrophic losses, reinsurance expenses, and reinsurance recoveries, and net of reinstatement premiums.

The FAIR Plan has made the following assumptions to project its cash flow:

- Ultimate loss for Palisades, Eaton and Hurst fires totaling $4 billion
- Claims payout on the wildfires at a rate of 75% of ultimate loss in the first 3 months
- Average monthly underwriting profit, plus investment income, of $115 million, based on an average of the previous six months' activity

- Budgeted annual reinsurance premiums for the 2025-6 Treaty Year to be paid on a quarterly basis starting on March 1, 2025
- Treaty year 2024-5 adjusted reinsurance premiums (due to higher than projected exposure growth during the 2024 treaty year) and adjusted reinstatement premiums to be paid in April 2025
- Based on the claims payout development of 75% of the ultimate loss during the first quarter, anticipated reinsurance recoveries, net of reinstatement premiums, are estimated to be $1.45 billion with the layers being triggered as follows:
  - Trigger layers 4-5 at the beginning of February
  - Trigger layer 6 in March
  - Trigger a portion of layer 7 in April

With the cash inflows and outflows as described above, and without an assessment, the FAIR Plan anticipates it could be unable to pay claims and operating expenses next month.

Palisades, Eaton & Hurst Fire Claims Information:

Outstanding Loss & LAE Reserves*	$3,125,000,000
Losses & LAE Paid	$914,000,000
Total Incurred	$4,039,000,000

* Including IBNR, incurred but not reported

Based on a $4 billion ultimate loss, the FAIR Plan cash position projected over the next 6 months is:

	Without Assessment	With Assessment
Cash position at 1/1/2025	$1,507,000,000	$1,507,000,000
Activity for next 3 months:		
Profit less operating expenses less reinsurance costs	$125,000,000	$125,000,000
Anticipated loss and expense payments**	($3,000,000,000)	($3,000,000,000)
Reinsurance recoveries, net of reinstatements	$1,194,000,000	$1,194,000,000
Assessment	$0	$1,000,000,000
Projected Cash position at 3/31/2025	($174,000,000)	$826,000,000
Profit less operating expenses less reinsurance costs	$24,450,000	$24,450,000
Anticipated loss and expense payments**	($800,000,000)	($800,000,000)
Reinsurance recoveries, net of reinstatements	$255,118,000	$255,118,000
Projected Cash position at 6/30/2025	($694,432,000)	$305,568,000

<u>Need for Assessment</u>

For the current Southern California wildfires, the FAIR Plan's Accounting Subcommittee and Governing Committee have each recommended an assessment of $1 billion to ensure that the FAIR Plan continues to have funds to pay its losses and operating expenses, including maintaining the elevated staffing levels needed to respond to policyholders impacted by the disaster.

CALIFORNIA FAIR PLAN PROPERTY INSURANCE

A $1 billion assessment puts the FAIR Plan at an estimated cash position of just under $400 million by July 2025, as the 2025 wildfire season is just beginning. We currently anticipate that the FAIR Plan's 2025-6 treaty year reinsurance retention will be $1.25 billion.

The $1 billion assessment requested in this letter will be allocated between Dwelling and Commercial lines based on the percentage of losses under each line. Member companies would receive their share of the assessment amount broken down between the 2024 and 2025 pool years and by line of business. Member companies would then have 30 days to remit payment to the FAIR Plan.

We appreciate everything CDI is doing to help Californians recover from these unprecedented wildfires and respectfully request that the approval of the assessment be expedited to ensure the collective goal of continued payment of claims and operations of the FAIR Plan during these challenging times.

Sincerely,

Victoria Roach
President
California FAIR Plan