Insurers of Last Resort

Why Today's FAIR Plans Need a Redesign to Address the Home Insurance Crisis

Isabel Peñaranda Currie, Moira Birss,
Ruthy Gourevitch, Tanaya Srini

Climate & Community Institute

Climate Cabinet Education

The Climate and Community Institute (CCI) is a progressive climate and economy think tank. Our growing staff and network of over 60 academic and expert fellows create and mobilize cutting-edge research at the nexus of inequality and the climate crisis. We fight for a transformational agenda that will rapidly and equitably decarbonize the economy by focusing on material benefits for working people.

Climate Cabinet Education provides data-driven, local expertise to help lawmakers and the general public learn how to take effective climate action. By fusing big data, climate policy, and civic power, we develop rigorous and actionable insights. Learn more at climatecabineteducation.org.

Suggested citation
Isabel Peñaranda Currie, Moira Birss, Ruthy Gourevitch, and Tanaya Srini, "Insurers of Last Resort: Why Today's FAIR Plans Need a Redesign to Address the Home Insurance Crisis," Climate and Community Institute, October 2025,
https://climateandcommunity.org/research/insurers-of-last-resort.

Acknowledgments
Thanks to Lucy Block for contributions to this research. Thanks to Birny Birnbaum (Center for Economic Justice), Douglas Heller (Consumer Federation of America), and Jordan Haedtler (Climate Cabinet) for their expert feedback. Thank you to Lisa Dusenbery for copy editing and to Data4Change for design.

Contents

Executive summary

Even though FAIR Plans are created through state legislative action and enabling statutes, state insurers of last resort in nearly every instance are more properly considered private insurance plans—they are state-enabled, but not state-run programs.

As insurance prices balloon across the country and insurance companies refuse to renew existing policies or write new ones in more and more geographies, state insurers of last resort increasingly provide the only property insurance coverage option for homeowners and housing providers. Sometimes referred to as "residual markets", a key feature of such programs is the provision of insurance coverage for customers and risks that private insurers refuse to take on. Today, 35 states have insurer of last resort programs, the majority of which are "Fair Access to Insurance Requirements" (FAIR) Plans.

While insurer of last resort programs provide a safety net for policyholders in states where such programs exist, the escalating number of extreme weather events, fueled by the climate crisis, is driving growth and strain in some programs, further exposing the limitations of the insurer of last resort model.[1] In response, policymakers in states across the country are considering reform to their insurer of last resort programs or the creation of such programs.[2]

This report examines the history, structure, governance, financial exposure, and other variables of state insurers of last resort, with a focus on FAIR Plans. Through case studies into three markets (Florida, California, and New Mexico) and quantitative analysis of all state insurer of last resort programs, we, the authors of this report, conclude that:

1. In the vast majority of FAIR and Beach/Wind Plans (at least 86 percent), insurance industry representatives control the majority of governing board seats, ensuring that these programs are run by and for the interest of industry, not the wellbeing of households and housing providers. Even though FAIR Plans are created through state legislative action and enabling statutes, state insurers of last resort in nearly every instance are more properly

[1] Federal Insurance Office, "Analyses of U.S. Homeowners Insurance Markets, 2018–2022: Climate-Related Risks and Other Factors," U.S. Department of the Treasury, 2025, https://archive.ph/EojAV; IPCC Working Group III, "Climate Change 2022: Mitigation of Climate Change" (IPCC AR6 WG III), Intergovernmental Panel on Climate Change, 2022, https://www.ipcc.ch/report/ar6/wg3/.

[2] In 2023, Colorado became the first state in over 20 years to set up a new FAIR Plan.

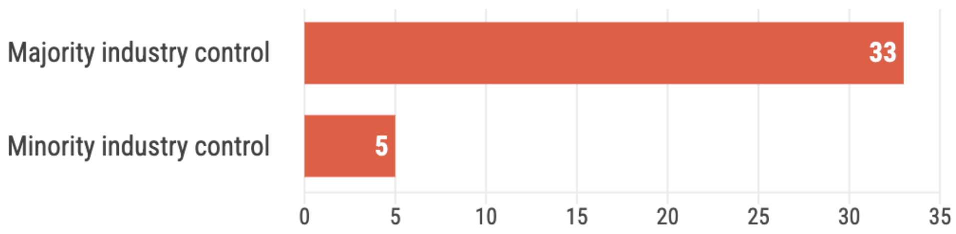
considered private insurance plans—they are state-enabled but not state-run programs. This serves the interests and profits of private insurers but does little to ensure the public policy goal of affordable, adequate, and accessible insurance.

2. Affordable, adequate, and accessible insurance coverage is an issue of public concern, but insurance industry market failures have led to insurance gaps that harm households, communities, and local and state economies. Policymakers have recognized this by enacting policy interventions like establishing FAIR Plans that attempt to correct failures in private markets.

3. The last resort model is not optimal insurance design: This model concentrates risk rather than spreading and pooling across different types, levels, and geographies of risk. It also includes little to no effort at risk reduction, a key preventative aspect of good insurance policy design.

Industry control in plan boards

At least 86% of Plans are run by boards with majority industry control



Source: Property Insurance Plans Service Office (PIPSO), "Compendium of Property Insurance Plans," 2024

Policy Recommendations

The home insurance crisis requires a broad policy response that addresses the climate crisis, corporate accountability, and public sector capacity head on. Even before embarking on a broader policy approach, however, policymakers can undertake FAIR plan design and operational reforms that can make state insurance markets healthier, more sustainable, and better able to serve the public. Specifically, we recommend that state policymakers consider the following changes:

The home insurance crisis requires a broad policy response that addresses the climate crisis, corporate accountability, and public sector capacity head on.

1. **Restructure financial models** to orient toward clear-eyed risk assessment, prudent use of Plan resources, and funding structures that better reflect the drivers and beneficiaries of stable property insurance markets.
2. **Offer robust policies at affordable rates** by expanding coverage beyond the bare bones, broadening coverage offerings, and ensuring affordability of premium rates.
3. **Require private market participants to bear more risk** by prohibiting private insurers from recouping FAIR plan costs and establishing robust coverage requirements for private insurers.
4. **Establish transparent, democratic governance** by limiting the private insurance industry's role in FAIR Plan governance, establishing democratic accountability, and requiring transparency in plan administration.
5. **Engage in comprehensive, proactive hazard mitigation** by developing internal understandings of current and future risk from extreme weather, investing in hazard mitigation, and prioritizing proactive community-level risk reduction.
6. **Coordinate insurance, housing, land use, and disaster response policymaking** by actively collaborating with other state-level entities.

Introduction

Today, 35 states have insurer of last resort programs. Sometimes referred to as "residual markets," a key feature of such programs is the provision of insurance coverage for consumers and risks that private insurers in the so-called "primary market" refuse to take on. In other words, insurers of last resort occupy a complicated gray zone between private and public purposes and practices.

FAIR Plans were originally designed to respond to temporary or small-scale gaps in primary markets. The original logic of FAIR Plans includes a self-imposed limit to follow and protect the primary market, suggesting that Plans must constantly ensure that they are not overstepping into competing with private insurance companies, but only receiving the "residual" customers that private insurers do not want to take on. As examined below, this often is expressed in explicit or implicit non-compete clauses within FAIR Plan bylaws, as well as in requirements to "depopulate" (remove policyholders from) the plans.

Today's ballooning insurance gaps are putting new strain on these programs. Continued reliance on current FAIR plan models—in which programs are run like private companies, for the benefit of private insurance companies, with bare-bones and expensive offerings for policyholders, and with little to no engagement in risk reduction—does not adequately serve constituents who are households or housing providers.[3]

Despite increasing attention on this previously obscure area of state policymaking as the home insurance crisis worsens, very little comprehensive analysis of the structure and functionality of these programs exists, leaving policymakers to guess or make assumptions from anecdotes. This report aims to fill the state insurer of last resort information gap. Through a deep dive into the history and basics of FAIR plans, case studies of current FAIR Plans (California, Florida, and

---

[3] Though much of the home insurance conversation centers on single-family homeowners, other types of policyholders, from condo owners to multifamily housing providers, are essential to consider in this conversation. See Moira Birss et al., "Shared Fates: A Housing Resilience Policy Vision for the Home Insurance Crisis," Climate and Community Institute, 2024, 12-16, https://climateandcommunity.org/research/shared-fates-home-insurance/, for a more detailed discussion about how the home insurance crisis intersects with the housing crisis across different types of housing.

New Mexico), and quantitative research comparing state FAIR and Beach/Wind Plans, we develop a set of recommendations for state-level policymakers to consider when working to address growing home insurance gaps and affordability issues.

Origins of FAIR Plans in the United States

FAIR Plans originated in the civil rights era as a policy response to insurance gaps in inner cities resulting from racist housing and finance practices.[4] The Kerner Commission, set up by President Johnson, appointed National Advisory Panel on Insurance in Riot-Affected Areas (also known as the Hughes Panel), which recommended that insurance companies form state-level insurance "Fair Access to Insurance Requirements" (FAIR) Plans and state insurance pools to ensure access to insurance in inner cities and eliminate insurance redlining. The panel also recommended risk-reduction measures and federal reinsurance to support these efforts.[5]

The Urban Property Protection and Reinsurance Act of 1968 enacted some of these recommendations, including a temporary federal program, known as the Urban Property Reinsurance Program, that provided reinsurance for insurance pools that wrote policies in uninsured urban areas.[6] Insurers wishing to access this reinsurance had to participate in the state-level FAIR Plans, which the legislation envisioned as pools of insurers sharing the risks of policies they would not otherwise underwrite on their own to ensure insurance availability "at reasonable cost."[7] In 1978, Congress amended this law to ensure that "no policy written by a FAIR Plan insurer could charge an insurer premium greater than the prices that private insurers were charging" if the FAIR Plan wanted access to federal reinsurance. Congress also included provisions to limit industry control over FAIR plan operation, but not all states complied.[8] Despite repeated building fires in many cities during this period, insurers did not mind participating in FAIR Plans because the incoming premiums allowed them to take advantage of the recent industry shift to financial market investments to cover losses and make profits.[9]

---

[4] Bench Ansfield, Born In Flames: *The Business of Arson and the Remaking of the American City* (W.W. Norton, 2025).

[5] Notably, the idea of policymakers pushing insurers to underwrite policies in areas they would not otherwise do so did not originate with the Hughes Panel. As early as 1960, state and local governments experimented with policies to ensure insurance access in inner cities. See: Ramzee Nwokolo, "How FAIR Plans Confronted Redlining in America," *Chicago Fed Letter* 484 (Federal Reserve Bank of Chicago, 2023), https://www.chicagofed.org/publications/chicago-fed-letter/2023/484; National Advisory Panel on Insurance in Riot-Affected Areas, "Meeting the Insurance Crisis of Our Cities," Government Printing Office, 1968, https://babel.hathitrust.org/cgi/pt?id=mdp.39015015389102&seq=5.

[6] The Urban Property Protection and Reinsurance Act of 1968 (a subset of the Housing and Urban Development Act of 1968), Pub. L. No. 90-448, titles XI-XII, August 1, 1968.

[7] National Advisory Panel on Insurance in Riot-Affected Areas, "Meeting the Insurance Crisis of Our Cities," sec. 1102.

[8] Joanne Dwyer, "Fair Plans: History, Holtzman and the Arson-for-Profit Hazard," Fordham *Urban Law Journal* 7, no. 3 (1978): 617–48, https://ir.lawnet.fordham.edu/ulj/vol7/iss3/3.

[9] Ansfield, *Born In Flames*.

In all, 27 states established some form of FAIR Plan between 1968 and 1971. Although the federal reinsurance program and associated FAIR Plan participation incentive was terminated in the early 1980s,[10] all 27 states continued to operate their FAIR Plans and others created new Plans. Without the reinsurance incentive, states opted for requiring all insurers licensed to operate in the state to participate in the FAIR Plans. Nonetheless, much of the original design logic persists today.

Types of state insurer of last resort programs

Three primary types of state insurer of last resort programs for property insurance exist today, which differ in their structure, the kind of events they cover, and the scope of the state's participation in them.[11] Despite the differences between these Plans, their existence and governance was established through enabling statutes adopted by federal and state legislatures, making their design a matter of public policy.

- **Fair Access to Insurance Requirements (FAIR) Plans**: FAIR Plans are pools of private insurers offering coverage that the individual insurers refuse to offer on their own. FAIR Plans are created by state statutes under state insurance codes and fall under the jurisdiction of the state insurance regulator. Most are syndicates, while a few are "servicing carrier" insurers that issue and service insurance policies on behalf of all the insurers in the pool. Enabling statutes generally require that all licensed insurers operating in the state "pool" resources and losses in proportion to their market share. Nonetheless, FAIR Plans are owned, funded, and operated collectively by the private insurers in the pool, and are typically registered as an unincorporated underwriting facility (a syndicate) or as a non-profit association. They are governed by a board of directors or an equivalent, which often is composed in part or in entirety of insurer representatives.

[10] Pub. L. 98–181, title I [title IV, §452(b)(1)], Nov. 30, 1983, 97 Stat. 1230, https://www.congress.gov/98/statute/STATUTE-97/STATUTE-97-Pg1153.pdf. This also rendered the Holtzman amendment to the Urban Property Protection and Reinsurance Act provisions no longer applicable.

[11] Three states (Mississippi, North Carolina, and Texas) have a FAIR Plan and a separate Beach Plan. California has two residual market programs: the FAIR Plan and the California Earthquake Authority. Louisiana Citizens administers both a FAIR Plan and a Coastal (Beach) Plan.

- **Beach/Wind Plans**: Beach/Wind Plans provide coverage for limited types of hazards (typically hail and hurricanes) in limited geographic areas. They currently exist in just 5 states. Beach/Wind Plans have similar structures as FAIR Plans in that they are formed mostly by private insurer pools established by state law and are funded through premiums and assessments. Some, like Texas and Mississippi's, are nonprofit associations managed by the private insurance industry, while others, like South Carolina's and Alabama's, are unincorporated, syndicate-like structures.

- **Citizens**: Two states, Florida and Louisiana, have insurer of last resort programs called "Citizens" rather than FAIR Plans. Florida's Citizens Property Insurance Corporation differs significantly from other FAIR Plans in that it is a "not-for-profit, tax-exempt, government entity,"[12] not a syndicated pool of private actors. Nonetheless, in many ways Florida's Citizens operates according to similar principles as FAIR plans, including non-competition with private insurers and depopulation programs, which transfer policies back to the primary market. Louisiana's Citizens runs both the state's FAIR Plan and its Coastal (Beach/Wind) Plan. Although it has almost the same name as Florida's Citizens, Louisiana's Citizens is a nonprofit corporation independent of the state government and its general fund, not a state-run entity.[13] It does share some similarities with Florida's Citizens, such as the fact that its board is politically appointed rather than industry selected.

At the federal level, the National Flood Insurance Program shares with state insurer of last resort programs a public mission to provide insurance to property owners to whom private insurers refuse to provide coverage. However, in other ways it differs significantly. It is an entirely public, federally administered insurance program.[14]

[12] "Governance," Citizens Property Insurance Corporation, n.d., https://www.citizensfla.com/-/content-policies-and-statutes.

[13] "There is created a nonprofit corporation to be known as the 'Louisiana Citizens Property Insurance Corporation', which shall operate residual market insurance programs." Acts 2003, No. 1133, §1, https://law.justia.com/codes/louisiana/2006/6/207473.html.

[14] For a more detailed analysis of the challenges facing the National Flood Insurance Program, see Moira Birss and Rebecca Elliott, "How Do We Fix Public Insurance Programs?," Climate and Community Institute, August 21, 2024, https://www.climateandcommunity.org/fix-insurance-programs.

FAIR & Beach/Wind Plan analysis

As of August 2025, the U.S. has 38 state-level insurers of last resorts across 33 states, including 31 FAIR Plans, 2 Citizens programs, and 5 Beach/Wind Plans. The tables in this section provide insight into the similarities and differences between these Plans.

The following table provides a general snapshot of state FAIR and Beach/Wind Plan sizes, offerings, and performance. As the data demonstrates, these programs offer a combination of residential and commercial coverage, and vary in their size, earned premiums, coverage limits, and service to multifamily properties. Unless otherwise noted, the information is drawn primarily from the Property Insurance Plans Service Office (see the appendix for more detail).[15]

[15] Due to data availability, these figures represent a snapshot of a particular year (2024 unless otherwise noted). Due to a FAIR Plan's specific design, as well as the nature of catastrophic events and their aftermath, these numbers can fluctuate wildly from year to year. The number of policies and their associated level of exposure can change after disasters, or due to depopulation efforts; one year may result in significant surpluses, but a FAIR Plan may have major losses the very next year due to a major catastrophic event.

State insurer of last resort financial and coverage data

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023	Residential Coverage Limits Notes	Multifamily Coverage
Alabama Insurance Underwriting Association (beach plan)*	18,600	-9.90%	37	$7.5B	$16.2M	56.80%	306.10%	$500,000	Maximum personal property limit of $250,000 (personal property limit cannot exceed 50% of the dwelling limit)	n/a
California FAIR	417,310	160.50%	13,990	$429.8B	$661.3M	393.10%	876.40%	$3M	Building and contents limit: $3M	Owner-occupied 1–4 units, plus short- and long-term rentals, 5+ units under commercial policy
Colorado†	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$750,000	Building and contents limit: $750,000†	Yes, 1–4 unit properties covered, 5+ units under commercial policy
Connecticut	1,187	-28.80%	53	$304.2M	$1.7M	-32.00%	65.30%	$425,000	Building limit: $350,000 Contents limit: $75,000	Yes - 1–4 unit properties covered, 5+ units under commercial policy
Delaware	1,170	-24.30%	57	$249.5M	$576,000	1.00%	60.90%	$500,000	Building and contents limit: $500,000	Yes - 1–4 unit properties covered, 5+ units under commercial policy
D.C.	116	-38.80%	18	$71M	$170,000	-29.10%	-20.00%	$683,000	Building limit: $455,000 Contents limit: $228,000	Yes - 1–4 unit properties covered, 5+ units under commercial policy
Florida Citizens	1,321,953	237.80%	13,564	$385.8B	$3.2B	406.40%	1465.30%	Varies	Building limit: $700 County-specific limit for Monroe and Miami-Dade counties: $1M	No (5+ unit buildings under commercial policy)

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023	Residential Coverage Limits Notes	Multifamily Coverage
Georgia	8,778	400.80%	638	$2.2B	$12.8M	-30.00%	116.10%	$2M	Building and contents limit: $2M	No (5+ unit buildings under commercial policy)
Hawaii‡	2,402	NA	NA	$928.9M	-$1,071,000	NA	NA	$675,000	Building limit: $450,000 Contents limit: "50% of Coverage A." Amount estimated up to limit of 50% of $450,000	Yes, 1-4 unit properties covered, commercial coverage limited to businesses that have been denied insurance by 2 private insurers, but legislative efforts to change this
Illinois	1,961	-60.00%	62	$370M	$3.9M	-12.30%	130.60%	$1.5M	Total limit: $1.5M Building limit: $750,000	Yes, 1-4 unit properties covered, 5+ units under commercial policy
Indiana	810	-41.50%	30	$159.3M	$1.5M	56.60%	235.10%	$250,000	Building limit: $250,000 Contents limit: considered on a combined basis with building limit	Yes (offers commercial coverage, unit limits not stated)
Iowa	1,021	-25.90%	22	$85.7M	$875,000	15.70%	-22.20%	$250,000	Building limit: $250,000 Contents limit: considered on a combined basis with building limit; Modified Homeowners Form (HO 8) maximum limits of $200,000 on the dwelling, $100,000 on contents coverage	Yes, 1-4 unit properties covered, commercial coverage available if denial, nonrenewal, or cancellation has been received within 6 months

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023	Residential Coverage Limits Notes	Multifamily Coverage
Kansas	11,507	-23.80%	209	$949M	$8.4M	-10.90%	36.80%	$400,000	Building limit: $400,000 Contents limit: "Considered on a combined basis with building limit"	n/a
Kentucky	4,102	-48.10%	175	$206.1M	$2.3M	-44.70%	-13.80%	$280,000	Building limit: $200,000 Contents limit: "Limited to 40% of coverage A." Amount estimated up to limit of 40% of $200,000.	Yes, 1-4 unit properties covered, 5+ units under commercial policy
Louisiana Citizens§	151,075	274.70%	10,572	$41.7B	$305.7M	735.90%	3284.40%	$2.3M	Building limit: $1.5M Contents limit: $750,000	Yes, 1-4 unit properties covered, condos covered under commercial policy
Maryland	678	-50.20%	44	$326.6M	$733,000	-27.00%	248.30%	$683,000	Building limit: $455,000 Contents limit: $228,000	Yes, 1-4 unit properties covered, commercial policy also available
Massachusetts	213,928	-15.80%	230	$115.6B	$272.7M	11.10%	52.20%	$1.5M	Building limit: $1M Building and contents maximum: $1,500,000 for coverage A plus coverage C	Yes, 1-4 unit properties covered, 5+ units under commercial policy
Michigan	15,981	-13.90%	293	$2.6B	$12.7M	-3.00%	42.30%	$350,000	Building limit: $250,000 Contents limit: $100,000	Yes, 1-4 unit properties covered, 5+ units under commercial policy

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023	Residential Coverage Limits Notes	Multifamily Coverage
Minnesota	4,160	-27.30%	101	$457.4M	$4M	1.30%	420.00%	$1.7M	Properties valued above state Excess and Surplus Lines minimum coverage (currently $1.681M) do not qualify for coverage. Owner-occupied risks can be written up to 100% of that limit. Non-owner-occupied risks can be written for up to 80% of limit (currently $1.16M). Applicants qualifying for E&S coverage are ineligible for coverage with the Minnesota FAIR plan.	Yes, commercial policy offered
Mississippi FAIR‡	2,237	-53.40%	N/A	$137.7M	$1.8M	-34.60%	NA	$275,000	Building limit: $200,000 Contents limit: $75,000	No, only 1–2 units covered
Mississippi Windstorm Underwriting Association (beach plan)*	13,219	-34.70%	223	$3.3B	$3.3M	25.20%	1249.60%	$1.3M	Building limit: $1M Contents limit: $250,000	n/a
Missouri	2,041	-19.60%	84	$198.3M	$2.3M	2.20%	358.10%	NA	$200,000 limit considered on a combined basis with building limit	Yes, 1–4 unit properties covered, 5+ units under commercial policy
New Jersey	7,029	-40.60%	173	$1.2B	$5.2M	-27.50%	-23.80%	$900,000	Building limit: $600,000 Contents limit: $300,000	Yes, commercial policy offered

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023	Residential Coverage Limits Notes	Multifamily Coverage
New Mexico	7,506	-41.70%	306	$950.7M	$5.5M	-2.80%	160.80%	$350,000	Limit includes contents	Yes, 1–4 unit properties covered, commercial policy offered
New York	20,669	-44.40%	1,556	$7.6B	$20.7M	-4.60%	12.50%	$850,000	$600K + $250K contents	Yes, 1–4 unit properties covered, 5+ units under commercial policy
North Carolina FAIR	235,990	24.20%	10,165	$57.3B	$223.4M	77.10%	599.70%	$1.4M	Building limit: $1M Contents limit: 40% maximum of building limit Additional limits: "The amount of insurance requested together with other insurance must be within reasonable relationship to actual cash value of the property involved."	Yes, commercial policy offered, no unit limits provided
North Carolina Coastal Property Insurance Pool (beach plan)*	265,765	22.00%	11,587	$152B	$513.7M	75.60%	129.30%	$1M	Personal property capped at 40% of the approved building coverage	n/a
Ohio	13,942	-34.60%	466	$5.9B	$15.6M	-5.70%	43.30%	$1.5M	$1.5M, considered on a combined basis with building limit	Yes, 1–4 unit properties covered, 5+ units under commercial policy

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023	Residential Coverage Limits Notes	Multifamily Coverage
Oregon	2,377	-1.30%	170	$841M	$2.6M	62.50%	558.00%	$600,000	$600K, considered on a combined basis with building limit	Yes, 1-4 unit properties covered, apartment buildings covered under commercial policy
Pennsylvania	8,982	-33.70%	984	$1.3B	$5M	-17.50%	12.10%	$500,000	$500,000	Yes, 1-4 unit properties covered under commercial policy
Rhode Island	16,029	-13.50%	109	$6.1B	$26.6M	18.00%	13.40%	$1.3M	Building limit: $1.25M Contents limit: considered on a combined basis with building limit.	Yes, 1-4 unit properties covered, 5+ units under commercial policy
South Carolina Wind and Hail Underwriting Association (beach plan)*	16,583	-27.20%	509	$7.1B	$15.4M	19.80%	2172.50%	$1.3M	Building and contents limits considered on a combined basis	n/a
Texas FAIR‡	126,680	-23.80%	NA	$32.9B	$99.3M	33.00%	NA	$1.5M	Building limit: $1M Contents limit: $500	Only 1-2 unit properties covered, no commercial policy offered
Texas Windstorm Insurance Association (beach plan)*	273,295	22.30%	9,257	$113.7B	$311.9M	67.10%	120.50%	$1.8M	Building limit: $1,773 Contents limit: $374	n/a
Virginia	22,622	-26.60%	503	$4.3B	$16.9M	-12.50%	35.20%	$500,000	Building limit: $500 Contents "considered on a combined basis with building limit"	Yes, 1-4 unit properties covered, 5+ units under commercial policy

State	Number of Residential Policies, FY 2024	Change in Number of Residential Policies, FY 2018–2023	Number of Commercial Policies, FY 2024	Exposure, 2024	Earned Premium, 2024	Change in Premiums, Habitational Coverage, 2019–2023	Change in Premiums, Commercial Coverage, 2019–2023	Residential Coverage Limits, 2023	Residential Coverage Limits Notes	Multifamily Coverage
Washington	306	159.70%	55	$176.3M	$733,000	252.20%	463.20%	$1.5M	$1.5M "aggregate liability per risk"	Yes, 1-4 unit properties covered, 5+ units under commercial policy
West Virginia	260	-38.50%	43	$30M	$242,000	-23.90%	7.40%	$200,000	Building limit: $150,000 Contents limit: $50,000	Yes, 1-4 unit properties covered, 5+ units under commercial policy
Wisconsin	5,246	-26.40%	198	$860.3M	$3.6M	2.00%	137.80%	$525,000	Building limit: $350,000 Contents limit: $175	Yes, 1-4 unit properties covered, 5+ units under commercial policy

* Given the difference in nomenclatures of coastal, hail, wind and beach plans, we include the name of the plans but note "beach plan" next to the ones where this is relevant, following PIPSO nomenclature.

†The State of Colorado FAIR plan program began selling insurance in April 2025, so does not yet have data available. Coverage information was found in the FAIR plan's official website: https://www.coloradofairplan.com/about.

‡The exposure data for Mississippi, Hawaii, and Texas only includes residential amounts. Therefore, the total estimated exposure excludes commercial [note fixed spelling] policies.

§ Louisiana Citizens administer the state's FAIR plan and its coastal (beach) plan. Following PIPSO data groupings, we report these together rather than disaggregated as in the case of other states with both plans.

View the data dictionary for more details on variables and sources.

Analysis of FAIR and Beach/Wind Plan governing board membership in the following table reveals that in most Plans (at least 86 percent), insurance company representatives control the majority of governing board seats. Some Plans include publicly appointed members, though these could also include industry representatives and as such this industry control calculation is likely an undercount. Many Plans also include seats for insurance agents or brokers, who sell insurance policies either on behalf of one company or multiple companies. Nonetheless, some states consider insurance agents or brokers as a stand-in for "the public." A few Plans have specific seats for community and/or consumer representation, though these are not always filled (see the Florida case study, below). Some states do intentionally curb the industry-power, like Massachusetts, where the publicly appointed members are explicitly "not affiliated with the insurance industry."[16] Broadly, though, the structure of the governing committees ensures that these programs are run by and for the interest of industry, not the wellbeing of households or housing providers.

Boards of directors/governing committee membership as of 2023

Plan	Insurance company or trade association representatives	Publicly appointed members	Agent or broker	% Industry control*	Notes
Alabama Insurance Underwriting Association (beach plan)	9	4		69.20%	
California FAIR	9	1	3	69.20%	
Colorado	6	2	1	66.70%	Since Colorado's FAIR Plan is new as of 2025, it is not included in PIPSO data. Authors calculated this based on the CO FAIR Plan website.
Connecticut	7		2	77.80%	The industry representatives include one ex officio, nonvoting member.

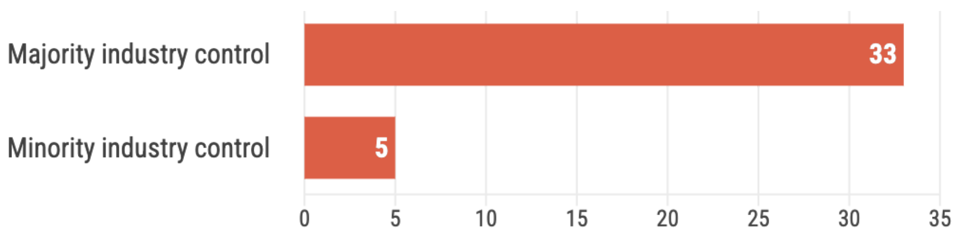
[16] Massachusetts Property Insurance Underwriting Association, "Second Amended Constitution of Massachusetts Property Insurance Underwriting Association," 2025, https://www.mpiua.com/wp-content/uploads/2025/01/SecondAmendedConstitution2025.pdf.

Plan	Insurance company or trade association representatives	Publicly appointed members	Agent or broker	% Industry control*	Notes
Delaware	11			100.00%	
D.C.	11			100.00%	
Florida Citizens		9		0.00%	See case study on Citizens. Many of the public appointees are insurance company representatives.
Georgia	8	4		66.70%	
Hawaii	8	3	1	66.70%	
Illinois	6	4	1	54.50%	
Indiana	9			100.00%	
Iowa	6		1	85.70%	
Kansas	7		2	77.80%	
Kentucky	6		1	85.70%	
Louisiana Citizens	4	8	3	26.70%	
Maryland	9			100.00%	
Massachusetts	10	6	2	55.60%	
Michigan	10	6	2	55.60%	
Minnesota	5	4		55.60%	
Mississippi FAIR	5		2	71.40%	
Mississippi Windstorm Underwriting Association (beach plan)	5	2	3	50.00%	
Missouri	11		2	84.60%	
New Jersey	12	6	2	60.00%	
New Mexico	7	1	1	77.80%	
New York	10		3	76.90%	Agents are considered "public agents" at time of their appointment, intended to represent interests of the general public over industry.
North Carolina FAIR	7	1	1	77.80%	
North Carolina Coastal Property Insurance Pool (beach plan)	7	3	4	50.00%	
Ohio	8	3	1	66.70%	

Plan	Insurance company or trade association representatives	Publicly appointed members	Agent or broker	% Industry control*	Notes
Oregon	5	3	1	55.60%	The insurance agent must come from a city with a population in excess of 400,000.
Pennsylvania	7			100.00%	
Rhode Island	10	6	2	55.60%	
South Carolina Wind and Hail Underwriting Association (beach plan)	11	1	2	78.60%	
Texas FAIR	5	4	2	45.50%	
Texas Windstorm Insurance Association (beach plan)	3	5	1	33.30%	At least one member must be a licensed agent who works with more than one company (not a captive agent).
Virginia	11	2	2	73.30%	
Washington	6	3		66.70%	
West Virginia	6		1	85.70%	
Wisconsin	5	4	2	45.50%	

At least 86% of Plans are run by boards with majority industry control[17]

Industry control in plan boards



Source: Property Insurance Plans Service Office (PIPSO), "Compendium of Property Insurance Plans," 2024

[17] "Industry control" is measured by the number of seats designated for insurance company or trade association representatives. This is an undercount in two ways: it does not include insurance agents or brokers, who are often close to insurance companies or have aligned interests. It also does not take into account whether the non-industry representatives are voting or non-voting; in several states, like California, publicly appointed representatives, or those that represent consumers, do not have voting power within the governing boards.

Case study 1: Florida's Citizens Property Insurance Corporation

Case study summary: The only state-owned entity, Citizens is the largest residual market plan in the country and the largest insurer in the state. At the same time, it has been politicized by the partisan dynamics in Florida. We chart how a state-entity nonetheless insists upon non-competitive pricing and aggressive depopulation strategies to safeguard the private insurer market.

Citizens has become one of the largest property insurers in the state due to the rising frequency of hurricanes and the withdrawal of private insurers.

Florida's Citizens Property Insurance Corporation (Citizens) functions as the state's insurer of last resort. Citizens has become one of the largest property insurers in the state due to the rising frequency of hurricanes and the withdrawal of private insurers. Citizens was created by the Florida Legislature in 2002 through the merger of the Florida Residential Property and Casualty Joint Underwriting Association (a FAIR Plan) and the Florida Windstorm Underwriting Association (a wind pool). It now plays a complex dual role: offering a safety net while also attempting to return policyholders to the primary market.

Governance and oversight

Citizens is governed by a 9-member board of governors. Three of these appointments are made by the state's governor. The chief financial officer, Speaker of the House, and President of the Senate appoint two members of the board, respectively. At least one of the members appointed needs to have demonstrated expertise in insurance, one of the governor's appointments should be a consumer representative, and all appointees should be residents of the State of Florida.[18] Board members serve "at the pleasure of their appointing officers,"[19] and the state's chief financial officer and the insurance commissioner serve as nonvoting members. The chief financial officer can also appoint a technical advisory board to provide information to the board of governors.

[18] "Plan of Operation," Citizens Property Insurance Corporation, 2022, https://www.citizensfla.com/documents/20702/0/Plan+of+Operation/40eecc8b-0144-4471-a4b5-a99b9d45172a.

[19] Property Insurance Plans Service Office (PIPSO), "Compendium of Property Insurance Plans," 2024.

The process by which members are appointed is, by design, a highly politicized and partisan process that is subject to the pressures of the private insurance and real estate lobby. While one of the Governor's appointees is required to be a consumer representative, no such position exists in the most recent round of appointees.

The Florida Office of Insurance Regulation (OIR) and the Florida Financial Services Commission review Citizens' rate filings, reinsurance strategies, and operational practices. Citizens is also subject to annual legislative hearings and must regularly report on its financial condition and market impacts.

As the State Insurance Commissioner Michael Yaworsky recently noted, Florida Citizens is better regulated from a solvency standpoint than many licensed insurers in Florida.[20] While not true of all FAIR Plans, this observation connects to the unique position of Citizens as a state entity, and to the accountability, transparency, and oversight requirements this entails. In this sense, Florida is a valuable counterpoint to the opacity and lack of oversight of other FAIR Plans.

That said, many of these regulatory agencies are headed by the governor and his appointees, and in recent years, a revolving door seems to have emerged between these regulatory agencies, appointees of Florida's governor, and the political and business interests of the insurance lobby.[21]

Residential policies and coverage

Citizens is unique among state residual market entities in that it offers both full residential coverage and wind-only policies under one umbrella (only Louisiana employs a similar structure). This integration of FAIR Plan and wind pool functions in theory allows for operational efficiencies and streamlined administration,pooling of financial

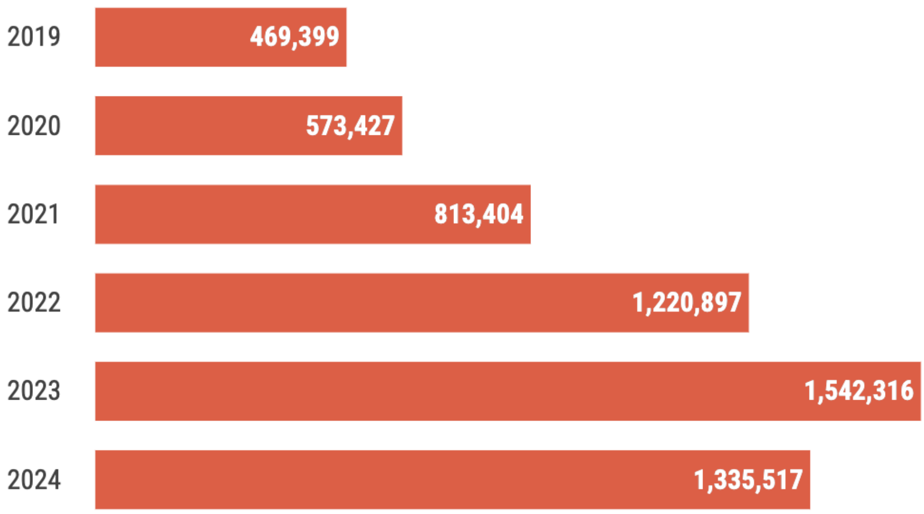
[20] Quoted in: Center for Insurance Policy and Research, "Back to Basics: Residual Property Markets," Panel at the NAIC Spring National Meeting, 2025, https://naic.soutronglobal.net/Portal/Public/en-US/RecordView/Index/26900.

[21] Jordan Haedtler and Kenny Stancil, "Demystifying the National Association of Insurance Commissioners," Revolving Door Project, 2024, https://therevolvingdoorproject.org/wp-content/uploads/2024/04/Demystifying-the-National-Association-of-Insurance-Commissioners.pdf.

capacity, and favorable tax treatment of reserves set aside for catastrophic events.[22]

As of June 2025, Citizens recorded 779,995 policies in force,[23] down from its peak of 1.5 million policies in 2023.[24] While the corporation's goal is to provide temporary coverage, it has become an increasingly large player in the market, particularly in high-risk coastal counties. Residential policies offered by Citizens cover single-family homes, condominium units, mobile homes, tenant-occupied dwellings, and personal property for renters.

Case Study 1: Number of policies issued



Source: PIPSO Reports, 2024 and 2025[25]

Citizens imposes coverage caps of $700,000 for most homes, with higher limits available in Monroe (including the Florida Keys) and Miami-Dade counties due to local rebuilding costs.

[22] Robert W. Klein, "Hurricanes and Residual Market Mechanisms," preprint, Center for RMI Research, Georgia State University, May 29, 2009, https://www.researchgate.net/publication/228457086_Hurricanes_and_residual_market_mechanisms.

[23] Josh Recamara, "Florida Approves Nearly 229,000 Citizens Policies for Takeout by Private Insurers," *Insurance Business*, July 21, 2025, https://www.insurancebusinessmag.com/us/news/breaking-news/florida-approves-nearly-229000-citizens-policies-for-takeout-by-private-insurers-543203.aspx.

[24] Property Insurance Plans Service Office, "PIPSO 2024 Report," 2024.

[25] PIPSO, "Compendium of Property Insurance Plans."

Assessment and recoupment methods

Citizens is funded through premiums, investment income, and a two-tiered assessment structure in the event of deficits after catastrophic losses:

1. Policyholder surcharge—Up to 15 percent of the premium, applied to Citizens policyholders.
2. Emergency assessment—Broad-based surcharge applied to most insurance policyholders in the state, collected over multiple years. Up to 10 percent of assessable statewide premium.[26]

These mechanisms ensure Citizens' financial recovery post-disaster but also raise equity concerns, as all Floridian policyholders (including renters, auto, boat, and pet insurance) may end up subsidizing the residual market. Even as Floridians face increasing insurance costs relative to their incomes, they are more susceptible to surcharges from Citizens' deficit assessments, particularly if new climate-related disasters lead to more than one assessment being levied at the same time.[27]

Reinsurance and surplus management

Citizens maintains a reinsurance program that includes traditional reinsurance, other types of insurance-linked securities like catastrophe bonds, and participation in the Florida Hurricane Catastrophe Fund (more on this below). Citizens' reinsurance and capital management strategy is annually reviewed and approved by its board and the Florida OIR.

In 2024, the multiple layers of risk transfer provided by private reinsurance totaled $3.6 billion in coverage. Citizens calculates that this package cost approximately 7.9 percent less than similar

[26] "Assessments," Citizens Property Insurance Corporation, n.d., https://www.citizensfla.com/es/assessments.

[27] Moira Birss et al., "Shared Fates: A Housing Resilience Policy Vision for the Home Insurance Crisis," Climate and Community Institute, 2024, https://climateandcommunity.org/research/shared-fates-home-insurance/.

coverage would have cost the year before, demonstrating the variable nature of these costs on global reinsurance markets.[28]

The Florida Hurricane Catastrophe Fund (FHCF) is a tax-exempt state trust fund under the direction and control of the State Board of Administration that provides reimbursements to residential property insurance companies for a portion of catastrophic hurricane losses in Florida. Participation in the FHCF is mandatory for all residential property insurance companies doing business in Florida. FHCF coverage is similar to private reinsurance but at a lower cost than private market prices. The FHCF is designed to be self-supporting, funded only with premium revenues paid by residential property insurance companies and investment income. However, program design also includes the possibility of obtaining emergency cash flow via revenue bonds backed by assessments on property and casualty insurance policyholders.[29]

Florida, like other states, also has a guaranty fund, created to pay policyholder claims in the case that an admitted insurer becomes insolvent and cannot pay claims. While these funds generally come from assessments on insurance companies, companies often pass on these costs to policyholders. Additionally, the Florida Insurance Guaranty Association in 2023 announced plans to borrow up to $750 billion to pay claims from Hurricane Ian. The debt—and the estimated hundreds of millions of dollars in interest payments—will be "repaid by assessments that last a decade or longer," presumably recouped by private insurance companies passing on these costs to policyholders.[30]

The bottom line: The risk taken on by Florida Citizens, and the costs of covering that risk through public or private reinsurance and guarantor funds, is a political problem, insofar as the costs of these risks are often passed on to already overburdened policyholders.

---

[28] Citizens Property Insurance Corporation, "2024 Risk Transfer Program: Executive Summary," Citizens Board of Governors Meeting, July 10, 2024, https://www.citizensfla.com/documents/20702/32164943/20240709+03A+Risk+Transfer+Update+%5Bplaceholder%5D.pdf/bed40046-8371-0b13-929f-ee971912a5b6?t=1719794236562.

[29] State Board of Administration of Florida, "Florida Hurricane Catastrophe Fund 2024 Annual Report," SBA Florida, 2025, https://fhcf.sbafla.com/media/kfuhfqjv/2024-sba-catf-annual-report-final.pdf.

[30] Thomas Frank, "Fla. and La. Must Borrow Millions to Pay Insurance Claims," E&E News by POLITICO, May 2, 2023, https://www.eenews.net/articles/fla-and-la-must-borrow-millions-to-pay-insurance-claims/.

Rates and pricing

Citizens is required by Florida law to charge "actuarially sound rates" that "are not competitive with those of the private insurance market."[31] In most cases, Citizens cannot charge premiums lower than the "comparable private market rate," and it employs rate increase caps to address growing costs. The rate increases are capped at no more than 14 percent annually in 2025,[32] phasing up from 13 percent in 2024 and 12 percent in 2023.[33]

What underlies these numbers, however, is a heated battle over the role of Citizens and its relation to the primary market. The mandate to charge rates that are "actuarially sound" but that do not compete with private insurers is a difficult balance. After insurers began to rapidly raise their rates following the destructive hurricane seasons of 2004 and 2005, Gov. Charlie Crist pushed a bill in 2007 that eased some of these anti-competition restrictions and made Citizens a more affordable option for Florida homeowners.[34] A 2022 bill promoted by Gov. Ron DeSantis once again forbade Citizens from charging prices that would be competitive with the private sector.[35]

Combined with its depopulation program that requires policyholders to accept private insurers' offers if the quote is within 120 percent of their current premium, Citizens policyholders can expect significant premium increases from year to year. Previous CCI research demonstrates that premium burdens have increased across all income ranks from 2019 to 2023, meaning that households pay more for insurance relative to their income. In several counties, the average Citizens policyholder spends over 5 percent of income on their premium, and lower-income zip codes and communities located

[31] Citizens Property Insurance Corporation, "2025 Recommended Rate Filing: Executive Summary," Citizens Board of Governors Meeting, June 19, 2024, https://www.citizensfla.com/documents/20702/32300420/20240619+02A+2025+Recommended+Rate+Filings+-+combined.pdf/c0125ba0-2cc6-07f8-bd4f-672f7e03ee9f?t=1718729357084.

[32] Citizens Property Insurance Corporation, "2025 Recommended Rate Filing."

[33] Lillian Hernández Caraballo, "Citizens' Homeowners Insurance Rate Hike Request Still Waiting Approval," Central Florida Public Media, January 16, 2025, https://www.cfpublic.org/housing-homelessness/2025-01-16/citizens-homeowners-insurance-rate-hike-request-still-waiting-approval.

[34] Jason Garcia, "Florida Republicans Protected Insurance Companies from Competition. Florida Homeowners Are Now Paying Higher Prices," *Seeking Rents* (Substack), July 2, 2024, https://jasongarcia.substack.com/p/florida-republicans-protected-insurance.

[35] Garcia, "Florida Republicans Protected Insurance Companies from Competition. Florida Homeowners Are Now Paying Higher Prices."

in high climate risk areas pay a larger share of annual incomes toward coverage.[36]

Market competition and depopulation strategy

A central mandate of Citizens is to encourage depopulation to move policyholders back into policies with private insurance companies. The state facilitates this through an aggressive depopulation program paired with a clearinghouse system that requires new applicants to prove they were rejected by private insurers before qualifying for Citizens coverage.

Under this depopulation program, Citizens policyholders are required to accept a private insurer's "takeout" option if the price quoted falls within 120 percent of their Citizens premium. In scenarios where policyholders are still eligible for a Citizens policy, they must affirmatively register their interest in remaining with Citizens or will be automatically assigned to the private insurer without recourse. Citizens actively advertises its depopulation program, citing the avoidance of assessments or lower assessments in the primary market as a key reason for policyholders to leave Citizens.

Citizens has achieved its depopulation objectives, resulting in its lowest policy totals in three years—a reduction of over 762,000 policies in force between 2023 and 2025, or almost half of its 2023 levels. Advocates of this model view this policy count decrease as an indication that the primary insurance market is recovering.

However, this is a contested understanding, and depopulation should not be understood as an unalloyed good. Depopulation does temporarily reduce the amount of exposure that the FAIR Plan is responsible for, but it also deepens the existing adverse selection of the program. In other words, depopulation presumably transfers the lowest-risk policies onto the primary market, concentrating only the highest-risk policies that private insurers do not want, or refuse to cover within a 20 percent increase of what Citizens offers. Some state lawmakers, including Republican House member Hillary Cassel and now-former member Spencer Roach, promoted a 2024 bill to

[36] Birss et al., "Shared Fates," 25–26.

establish an insurer of first resort because they believe Florida should be "banking premiums" now before things get even worse.[37]

Depopulation can further benefit private insurers since depopulated policies are often transferred to them without the need to compete for or persuade customers.Private insurers are also guaranteed a premium price of up to 120 percent of Citizens' premiums when they take on these policies. New tech-insurance start-ups have taken advantage of these takeovers to grow from zero to hundreds of thousands of customers within a few years: This was the case of Slide, a tech start-up that, after donating $1 million to Republican politicians in 2022, boasted of being able to "cherry-pick" the best policies.[38] The Washington Post and other outlets later reported that Slide was systematically favored in Citizen takeover deals, routinely getting allotted thousands more customers despite violating the price ceilings imposed by Citizens and the law. The Post also reported that according to state data, "[o]ver the past two decades, more than half of the carriers that participated in the 'takeout' program have gone insolvent."[39]

While depopulation can be narrowly understood as a way of reducing exposure, it concentrates the riskiest customers in Citizens, while benefiting private insurance companies through sometimes questionable deals. The result is that hundreds of thousands of Florida homeowners find themselves forcefully transferred from Citizens to a private insurer for higher premiums, potentially lower levels of coverage, and few guarantees of the solvency of their new insurance company.[40]

Conclusion

Florida's Citizens Property Insurance Corporation illustrates the tension inherent in state-backed insurance models: balancing

[37] Florida House of Representatives Insurance & Banking Subcommittee, February 6, 2024, 2024, meeting report, https://www.flhouse.gov/meeting-report?MeetingId=14312&SessionId=103&CommitteeId=3228.

[38] Jason Garcia, "Florida Leaders Are Forcing Thousands of Homeowners to Pay Higher Prices for Property Insurance," *Seeking Rents* (Substack), May 5, 2024, https://jasongarcia.substack.com/p/florida-leaders-are-forcing-thousands.

[39] Brianna Sacks, "How 'Cherry-Picking' Policies Let One Insurer Win Big in Florida's Insurance Crisis.," *The Washington Post*, December 30, 2023, https://www.washingtonpost.com/climate-environment/2023/12/30/florida-insurance-citizens-slide/.

[40] Aliss Higham, "Florida Residents 'Stuck' as State's Largest Insurer Cuts Policies," *Newsweek*, October 28, 2024, https://www.newsweek.com/florida-residents-stuck-citizens-insurer-cuts-policies-1974795.

risk-based pricing, public affordability, and primary market stability. Its governance structure, layered financing strategy, and regulatory controls make it one of the most complex and expansive residual market insurers in the nation. However, as the climate crisis intensifies hurricane frequency and severity, Citizens faces mounting pressure to manage fiscal exposure while maintaining access to coverage for Florida residents.

Case study 2: California's FAIR Plan

Case study summary: The second largest FAIR Plan in the country, California's FAIR Plan is also the fastest growing and most affected by large-scale catastrophic events, particularly wildfires. Despite California's reputation for progressive policymaking, the FAIR Plan is particularly opaque about its governance, even as its decisions—such as a recent change to impose mass assessments on consumers statewide—will impact all private insurer policyholders in the state.

California's FAIR Plan is the second largest residual insurance market mechanism in the United States. Depopulation temporarily reduces the amount of exposure that the FAIR Plan is responsible for, but it also deepens the existing adverse selection of the program.

California's FAIR Plan is the second largest residual insurance market mechanism in the United States, providing fire coverage to high-risk properties that private insurance companies decline to insure. The FAIR Plan was established in 1968 in accordance with federal guidelines, replacing the previous "California Property Placement Facility."[41]

Governance structure

The California FAIR Plan is structured as an independent, not-for-profit insurance syndicate established by statute and administered by a governing committee of insurer representatives. All licensed property and casualty insurers that write basic property insurance in California are required to be members of the Plan under the insurance code. Policies are issued on behalf of these member companies, who participate in the Plan's profits, losses, and expenses in proportion to their market share in the state.

[41] PIPSO, "Compendium of Property Insurance Plans."

The governing committee is composed of 9 voting insurer members, elected as follows:[42]

- 2 from the American Property Casualty Insurance Association
- 1 from all other stock insurers
- 1 from all other non-stock insurers
- 5 at-large members

At least 4 members must be California-domiciled insurers, assuming a sufficient number are willing and eligible to serve.

While California's FAIR Plan's website and documents supply the public with a lot of valuable and often granular data, key elements of the FAIR Plan are opaque. A 2022 Department of Insurance audit found that California's FAIR Plan was less transparent even than its counterparts in other states.[43] These omissions have come under increased security: In March of 2025, CBS reported that:

> **The California FAIR Plan is one of the only home insurers in the state that doesn't publicly disclose basic financial data [,] Unlike FAIR Plans in many other states, its board meetings, minutes, audits, and reports are secret [,] The plan's operators refuse to publicly reveal who is on the FAIR Plan's 9-member Executive Governing Board [and a] Department of Insurance audit found California's FAIR Plan is far more secretive than FAIR Plans in other states.[44]**

Although bill AB234 was recently introduced to allow the Speaker of the Assembly and the chairperson of the Senate Committee on Rules to serve as nonvoting, ex officio members of the governing committee, this would not guarantee their participation in the

[42] California FAIR Plan Association, "Plan of Operation," n.d., https://www.cfpnet.com/wp-content/uploads/2025/05/2-Plan-of-Operation.pdf.

[43] California Department of Insurance, "Operational Assessment Report: California FAIR Plan Association," 2022, https://www.insurance.ca.gov/0250-insurers/0300-insurers/0400-reports-examination/upload/CFPA-Operational-Assessment-Report.pdf.

[44] Scott Pham and Julie Watts, "California FAIR Plan Secrets: Why the State's Insurer of Last Resort Is So Secretive," CBS, June 9, 2025, https://www.cbsnews.com/sacramento/news/california-fair-Plan-secrets-what-insurer-doesnt-want-you-to-know/.

"executive committee meetings," from which deputy insurance commissioners have been also excluded.[45]

In response to growing pressure, the FAIR Plan released a list of the companies represented in the board, which include AAA Auto Club Enterprises, Allstate, CSAA, Farmers Insurance, The Hartford, Liberty Mutual, Mercury Insurance, State Farm, and Travelers Insurance.[46] The names of the board members themselves have still not been released.

Beyond the lack of transparency, the California FAIR plan has skirted oversight, regulations, and possibly the law. One illustration of this is the fact that the FAIR Plan was sued by Insurance Commissioner Ricardo Lara in a "rare legal challenge against the insurer of last resort for allegedly breaking its promise—and allegedly violating multiple insurance regulations including the Fair Claims Settlement Practices Act."[47]

Residential policies and coverage

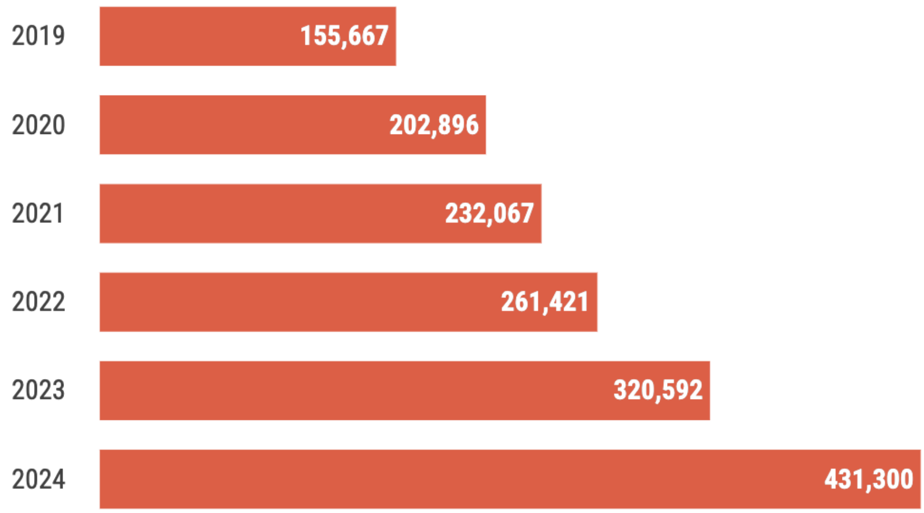
As of FY 2025, the California FAIR Plan is the second largest insurer of last resort in the country by policies written (610,179 total policies in force), representing an 85 percent increase in reliance on the insurer of last resort since FY 2023. The FAIR Plan is also the second largest in the country by financial exposure. As of June 2025, its $650 billion exposure, of which $604 billion is for covered residences, increased by 128 percent since FY 2023.

[45] Dave Jones, former California insurance commissioner, quoted in Pham and Watts, "California FAIR Plan Secrets: Why the State's Insurer of Last Resort Is So Secretive."

[46] "Board Member Company List," California FAIR Plan Association, 2025, https://www.cfpnet.com/wp-content/uploads/2025/06/Board-Member-Company-List-2025.03.31.png.

[47] Susie Neilson, "California's Insurance Commissioner Is Taking Action against the FAIR Plan. Wildfire Survivors Say It's Too Late," San Francisco Chronicle, August 1, 2025, https://www.sfchronicle.com/california-wildfires/article/home-insurance-fair-Plan-law-20798375.php.

Case Study 2: Number of policies issued



Source: PIPSO Reports, 2024 and 2025

The FAIR Plan's residential coverage extends to owner-occupied buildings with up to four units, as well as seasonal, short- and long-term rentals, condominiums, and personal property for renters. Buildings with 5 or more units fall under the Plan's commercial coverage options. California also offers the highest residential coverage limits among FAIR Plans nationally—up to $3 million per policy.

The California FAIR Plan does not directly issue policies; applicants are directed to seek coverage via a broker registered with the program.[48]

Assessment and recoupment methods

The Plan is financed through a combination of premiums, investment income, and post-loss assessments to member insurers. In the event of a shortfall, and with the approval of the California Department of Insurance (CDI), the Plan may levy assessments on its member insurers. These insurers claim a right to pass along this cost to their own (non-FAIR Plan) policyholders, and the insurance commissioner

[48] "How to Apply," California FAIR Plan Association, n.d., accessed August 15, 2025, https://www.cfpnet.com/how-to-apply/.

has authorized it, though the pass-through is currently the subject of litigation.[49]

New CDI regulations allow member insurers to recoup up to 50 percent of FAIR Plan assessments through temporary policyholder fees if the assessment of up to $1 billion is not covered by reinsurance or other mechanisms.[50] However, the FAIR Plan itself does not dictate the specific fee structures used by member insurers, insulating it from direct pricing accountability to consumers.

Earlier this year, Commissioner Lara approved California's first FAIR plan assessment in over 30 years to account for extreme losses due to the January 2025 Los Angeles wildfires. Along with passing some portion of the assessment on to policyholders via temporary fees, it is expected that many private insurers will increase premiums and reduce coverage availability. Overall, the commissioner's approval of the assessment has been controversial, and has been met with resistance from consumer advocacy groups.[51]

Reinsurance and surplus management

To manage risk exposure, particularly from catastrophic wildfire events, the FAIR plan relies heavily on a layered reinsurance strategy. As of 2025:

- The Plan carries a $900 million deductible before reinsurance activates. This deductible was met as a result of the 2025 Los Angeles wildfires.[52]
- Upon meeting this deductible, the FAIR Plan has accessed $350 million in reinsurance. It can also access additional layers of reinsurance based on losses incurred and outstanding reserves up to a $5.78 billion limit. This includes varying percentages of

---

[49] Mav Rodriguez, "California Court to Review Legality of FAIR Plan Wildfire Surcharges," July 25, 2025, https://www.insurancebusinessmag.com/us/news/catastrophe/california-court-to-review-legality-of-fair-Plan-wildfire-surcharges-543902.aspx.

[50] California Department of Insurance, "BULLETIN 2025-4," February 11, 2025, https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2025-4-Updated-Guidance-regarding-Insurer-Recoupment-Procedures-in-Response-to-Assessment-by-the-FAIR-Plan.pdf.

[51] Laurence Darmiento, "L.A. Consumer Group Calls FAIR Plan Insurance Reforms an Industry 'Bailout,'" *Los Angeles Times*, July 30, 2024, https://www.latimes.com/business/story/2024-07-30/fair-Plan-reform-homeowners-insurance-ricardo-lara-consumer-watchdog.

[52] California FAIR Plan Association, "California FAIR Plan Takes Steps to Access Funds to Pay LA Fire Disaster Claims," February 11, 2025, https://www.cfpnet.com/california-fair-plan-takes-steps-to-access-funds-to-pay-la-fire-disaster-claims/.

coinsurance, subject to certain conditions. To access all these layers of reinsurance, however, the FAIR Plan would have to pay up to $3.4 billion (including the $900 billion deductible).[53] For a full depiction of the co-payments and reinsurance, see the FAIR Plan's reinsurance tower.[54]

Following the catastrophic Los Angeles wildfires of January 2025, the Plan's cash on hand declined to $1.2 billion, down from $1.5 billion at the start of the year.[55]

Pricing and affordability

California's FAIR Plan is legally required to charge rates that "shall not be excessive, inadequate, or unfairly discriminatory, and shall be actuarially sound so that premiums are adequate to cover expected losses, expenses and taxes." [56] However, what this means for premium prices is open to interpretation, and, in fact, premiums within the FAIR Plan are higher than the primary market counterparts. For example, the average HO-3 premium in 2022 in California—which provides more coverage than FAIR Plans—was $1,492.[57] The average FAIR Plan premium for that same year was $2,485—over 65 percent more.[58]

When added to the considerable cost burdens in already facing residents of a state with high housing costs, premiums may represent an unbearable strain on low-income homeowners, particularly as rates increase to keep pace with reinsurance costs and catastrophic losses. A 2024 analysis by CCI showed that California homeowners with FAIR Plan policies faced much higher premium burdens (average premium rate as percentage of median

---

[53] California FAIR Plan Association, "California FAIR Plan Takes Steps to Access Funds to Pay LA Fire Disaster Claims."

[54] California FAIR Plan Association. "About The California FAIR Plan," n.d., https://www.cfpnet.com/about-fair-plan/.

[55] California Department of Insurance, "Order No. 2025-1: Approving the California FAIR Plan Association's Request to Issue Assessment," 2025, https://www.insurance.ca.gov/0250-insurers/0500-legal-info/0700-commissioners-orders/upload/Order-No-2025-1-Approving-the-California-FAIR-Plan-Association-s-Request-to-Issue-Assessment.pdf.

[56] California Code, Insurance Code - INS § 10100.2, https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=10100.2.&lawCode=INS.

[57] National Association of Insurance Commissioners, "Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report: Data for 2022," May 2025, 41, https://content.naic.org/sites/default/files/publication-hmr-zu-homeowners-report.pdf.

[58] Property Insurance Plans Service Office, "2024 PIPSO Expense Per Policy," 2024.

household income) than those on private plans in most parts of the state, and lower income households tended to face higher FAIR Plan premium burdens.[59]

Market competition and depopulation strategy

While California does not require formal depopulation, it launched a clearinghouse program in 2021 to reduce reliance on the Plan by reconnecting eligible policyholders with private insurers. The program works by sharing policyholder data with member insurers, who may then offer traditional-market coverage to those individuals if they choose. This is not an automatic "takeover" of policies as in the case of Florida but rather offers insurance companies information about FAIR Plan policyholders so that the companies can, if they so choose, offer primary market policies. In theory, this system both reduces FAIR Plan enrollment and aggregates additional business leads for its private insurance company members—an approach that aligns residual market strategy with private sector incentives. We were unable to find any data, if it is publicly available, on the number of policies transferred through the clearinghouse program.

Conclusion

The tension between actuarial soundness and affordability, alongside a growing caseload and wildfire losses, poses real sustainability challenges for the FAIR Plan. As climate risk escalates and private insurers retreat, the FAIR Plan's dual role as safety net and market participant will require vigilant oversight and potential reform.

[59] Birss et al., "Shared Fates," 48–50.

Case study 3: New Mexico's FAIR Plan—New Mexico Property Insurance Program (NMPIP)

Case study summary: New Mexico's FAIR Plan—which underwrites policies under the name of New Mexico Property Insurance Program (NMPIP)—serves as the state's insurer of last resort. The governance of New Mexico's FAIR Plan is one of the most opaque and industry-dominated in the country. An early 2025 legislative effort sought to provide more statute-defined guidelines, democratic participation, and transparency to the governance. The bill passed the New Mexico Senate but stalled in the House.

New Mexico's FAIR Plan is among the most opaque and industry-dominated Plans in the country.

Governance structure

Though a version of a FAIR Plan existed in the state as early as 1969,[60] today's NMPIP operates as a syndicate of private insurance companies, governed, as the table on page 17 indicates, by an internal board dominated by insurance industry representatives; we were not able to verify the identity of board members. This board determines the structure and operating procedures of the program, though all of this is subject to approval by the superintendent of insurance—if the superintendent chooses to exercise that power.[61]

A proposed bipartisan bill, SB 81 (2025), would have rebalanced the board to better represent consumers through the inclusion of consumer advocacy, climate science, and catastrophic risk experts, and would have diversified how seats were appointed, though it would not have required public disclosure of board operations.[62] Original bill language was substantially weakened—including lowered coverage limits, more industry board representatives, and removal of the

[60] "History," New Mexico Property Insurance Program, accessed August 4, 2025, https://www.nmpropertyinsurance.com.

[61] N.M. Admin. Code § 13.13.3.8, https://www.srca.nm.gov/parts/title13/13.013.0003.html.

[62] Lohmann, "Roundhouse Effort to Overhaul NM's Home 'Insurer of Last Resort' Fails."

climate science expert board requirement—before it passed the Senate.[63] Nonetheless, the bill died in committee in March 2025.[64]

Residential policies and coverage

The NMPIP provides property insurance for residential buildings facing fire, extended coverage (e.g., wind, hail, smoke), and vandalism—primarily for one- to four-unit dwellings, including dwellings in both urban and rural risk zones.[65] It also provides commercial property insurance. Property owners only qualify for coverage if they cannot access coverage in the primary market.[66]

As of 2024, NMPIP served 1,500 policyholders. Though the policy issuance rate has decreased in recent years (see table below), a state legislative committee study predicted total policy count would grow to over 4,000 in the next few years.[67] Increasing climate risks (as evidenced by one of the most destructive wildfires in New Mexico history in 2024[68]) and the fact that the state is tied with Mississippi for the highest rate of uninsured homeowners are likely contributing factors to this predicted increase.[69]

[63] New Mexico Legislature, "NM Property Insurance Pgm. Assoc. Board," SB 81, 2025 Regular Session, accessed August 1, 2025, https://www.nmlegis.gov/Legislation/Legislation?Chamber=S&LegType=B&LegNo=81&year=25.

[64] NM Legislature, "NM Property Insurance Pgm. Assoc. Board."

[65] N.M. Admin. Code § 13.13.3, https://www.srca.nm.gov/parts/title13/13.013.0003.html.

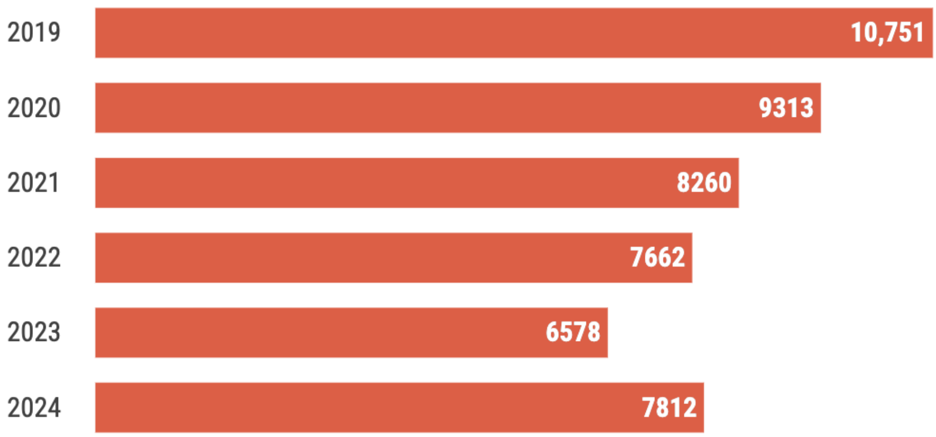
[66] Patrick Lohmann, "Expansion of State's Property Insurance Program Headed to Senate Floor," *Source New Mexico*, February 19, 2025, https://sourcenm.com/2025/02/19/expansion-of-states-property-insurance-program-headed-to-senate-floor/.

[67] New Mexico Legislative Finance Committee, "Fiscal Impact Report: NM Property Insurance Pgm. Assoc. Board," New Mexico Legislature, 2025, https://www.nmlegis.gov/Sessions/25%20Regular/firs/SB0081.PDF.

[68] Patrick Lohmann, "South Fork Fire Reaches about 15,200 Acres, Advances on Village of Ruidoso," *Source New Mexico*, June 18, 2024, https://sourcenm.com/briefs/south-fork-fire-reaches-nearly-14000-acres-advances-on-village-of-ruidoso/.

[69] Sharon Cornelissen et al., "EXPOSED: A Report on 1.6 Trillion Dollars of Uninsured American Homes," Consumer Federation of America, 2024, https://consumerfed.org/wp-content/uploads/2024/03/Exposed-UninsuredHomes-1.pdf.

Case Study 3: Number of policies issued



Source: PIPSO Reports, 2024 and 2025

Until recently, coverage limits were set between $225,000 to $350,000 for residential property, and $250,000 to $1 million for commercial structures, depending on fire protection classes.[70] In March 2025 New Mexico's superintendent provisionally increased limits to a statewide maximum of $750,000 for residential dwellings, pending permanent statutory changes.[71] Nonetheless, NMPIP only offers actual cash value policies, meaning the claim value is replacement cost less depreciation.[72]

The NMPIP itself does not issue policies; all applicants are required to seek coverage via a broker registered with the program.

Assessment and recoupment methods

The NMPIP may collect assessments from member insurers in the event of financial shortfalls, subject to superintendent approval.[73] Member insurers may then recoup assessments from policyholders through surcharges. After claims payouts resulting from 2024 fires led the NMPIP to run out of money, the superintendent assessed

[70] "Homeowners Insurance," NM Office of Superintendent of Insurance, n.d., accessed August 1, 2025, https://www.osi.state.nm.us/en/consumer-assistance/insurance-types/home-insurance.

[71] Kenneth Araullo, "New Mexico Fair Plan Temporarily Doubles Coverage Limit," Insurance Business, March 18, 2025, https://www.insurancebusinessmag.com/us/news/catastrophe/new-mexico-fair-plan-temporarily-doubles-coverage-limit-528939.aspx.

[72] "Dwelling/Commercial Policy," New Mexico Property Insurance Program, accessed August 7, 2025, https://www.nmpropertyinsurance.com/policy.

[73] Patrick Lohmann, "Why the State's Insurance Regulator Thinks SB81 Will Save New Mexicans' Homes from Wildfire," *Source New Mexico*, February 25, 2025, https://sourcenm.com/2025/02/25/why-the-states-insurance-regulator-thinks-sb81-will-save-new-mexicans-homes-from-wildfire/.

private insurers $8 million, which insurers are expected to pass on to all policyholders over three years.[74]

Reinsurance and surplus management

NMPIP does not appear to disclose the size of its reinsurance tower, retention levels, or participating reinsurers.

Pricing and affordability

The NMPIP has the authority to set underwriting guidelines and eligibility criteria, though these must be approved by the superintendent. The code does not include any requirements for ensuring affordable premiums.[75] An actuary in the superintendent's office recently testified that the top 10 insurers in the state had increased premiums by 60 percent on average since 2022, which drove the reform efforts of SB 81 and associated amendments.[76]

Market competition and depopulation strategy

Applicants for NMPIP policies must demonstrate rejection by private insurers before eligibility—agents must submit declination documentation as part of application submission.[77] We could find no evidence of a formal depopulation structure currently in place, nor did SB 81 text mention depopulation or clearinghouses.[78]

Conclusion

The opacity of New Mexico's system creates significant barriers to understanding how the NMPIP functions. What we do know indicates significant industry control and limited public oversight.

---

[74] Lohmann, "Expansion of State's Property Insurance Program Headed to Senate Floor"; Lohmann, "Why the State's Insurance Regulator Thinks SB81 Will Save New Mexicans' Homes from Wildfire."

[75] N.M. Admin. Code § 13.13.3.10I, https://www.srca.nm.gov/parts/title13/13.013.0003.html.

[76] Lohmann, "Why the State's Insurance Regulator Thinks SB81 Will Save New Mexicans' Homes from Wildfire."

[77] "Eligibility Standards," New Mexico Property Insurance Program, accessed August 1, 2025, https://www.nmpropertyinsurance.com/underwriting-guidlines/eligibility-standards.

[78] NM Legislature, "NM Property Insurance Pgm. Assoc. Board."

Recommendations: Insurance market failure requires robust policy responses

In order to adequately address today's insurance crisis, policymakers must reorient their approach to ensure effective risk reduction, adequate and affordable insurance provision, fair risk sharing with private insurance companies, and democratic governance.

The primary insurance market has proven unable or unwilling to provide broad and affordable home insurance coverage, let alone to address the underlying risks that make properties vulnerable and insurance increasingly unaffordable, particularly as the climate crisis drives more frequent and severe disasters. Public policymakers, therefore, must step in to address these market failures, recognizing the societal harms when entire geographies cannot rebuild after a catastrophe or cannot plan for the future because they lack coverage. After all, catastrophes are, by their nature, larger than an individual.

State insurers of last resort are increasingly detached from their public mandate, precisely at a moment when they are being called upon to fill ever-growing vacuums that the private insurers cannot—or will not—fill, even as insurance companies earn healthy profits.[79] Although policymakers and the public may think of insurance as a one-to-one contract, insurance is also a kind of social contract for collectively overcoming risk.[80] Yet while the policy origins of FAIR Plans included the objectives to provide affordable coverage and to safeguard policyholders from discrimination and exploitation, what has survived to today of the original design is primarily the absorption of policyholders that insurers do not want to serve and the protection of insurers from competition from the FAIR Plan itself. This is reflected in:

- the composition, appointment methods, and design of the governing boards primarily (if not entirely) composed of insurance executives;

[79] Kenny Stancil and Dan Wagner, "Home Insurance Executives Are Raking It In—at Your Expense," *The American Prospect*, July 23, 2025, https://prospect.org/api/content/f0128eda-6749-11f0-aa78-1248ae80e59d/.

[80] As insurance scholar Francios Ewald notes in his study of the origins of the modern insurance industry, the laws of risk and probability can only be understood at the level of the social collective. See: François Ewald, T*he Birth of Solidarity: The History of the French Welfare State* (Duke University Press, 2020).

- the ability to pass along assessments to all policyholders in a state;
- channels for redirecting policyholders back to private insurers;
- state support, including through financial backstops in certain cases;
- acceptance only of policyholders rejected by primary market insurers;
- limited policy offerings only providing bare-bones coverage for specific perils; and
- the lack of transparency in governance and operations.

In order to adequately address today's insurance crisis, policymakers must reorient their approach to ensure effective risk reduction, adequate and affordable insurance provision, fair risk sharing with private insurance companies, and democratic governance. The best answer to today's home insurance crisis—which encompasses the intersecting housing, climate emergencies, and cost-of-living crises—is a comprehensive policy approach like that outlined in CCI's 2024 report, "Shared Fates: A Housing Resilience Policy Vision for the Home Insurance Crisis."[81]

Even before embarking on a broader policy approach, policymakers can undertake FAIR and Beach/Wind Plan design and operational reforms that can make state insurance markets healthier and more sustainable. Doing so requires that policymakers move away from reliance on FAIR Plans as stopgap measures to rescue private insurance companies, instead working to transform them into well-designed providers of accessible, affordable disaster insurance that adequately meets the needs of policyholders in the state. The current design of each state's current insurer of last resort varies—if states have one at all—and so these recommendations may apply differently in each place. Nonetheless, this research indicates that not a single existing state insurer of last resort can adequately address the growing market failures in home insurance.

[81] Birss et al., "Shared Fates."

1. Restructure financial models.

The state-enabled but privately run design of today's FAIR Plans means that public officials have little insight into, let alone oversight over, the financial workings—from balance sheets to investment guidelines to assessment criteria—of Plans. We recommend states restructure financial models such that state lawmakers, not private companies, determine the structure for these crucial decisions, and that such financial models be oriented toward clear-eyed risk assessment, prudent use of Plan resources, and funding sources that better reflect the drivers and beneficiaries of stable property insurance markets.

a. **Use climate risk models (ideally public ones) to properly assess reinsurance needs.** Risk transfer decisions should be based on realistic assessments of climate risks. Instead of relying on proprietary, black-box catastrophe risk models that private insurers use,[82] states should set up public catastrophe risk models to bring together the best of climate and catastrophe modeling research in a transparent and democratically run platform for risk assessment.

b. **Retain surpluses rather than returning them to insurers.** These funds could be used to reduce premiums overall and/or for risk mitigation (more on risk mitigation below).

c. **Invest some portion of assets in supporting housing resilience.** The opacity of FAIR Plan governance means we have little idea of how the Plans invest, if they do at all, portions of collected premiums, as insurance companies do. What we do know indicates investments, if any exist, in short-term, low-return assets.[83] Instead, FAIR Plans should make prudent investments in housing and infrastructure resilience activities, such that this financial activity not only generates returns for the Plan but also contributes to housing resilience for insurance policyholders and communities.

[82] Madison Condon, "Climate Services: The Business of Physical Risk," *Arizona State Law Journal* 55, no. 147 (March 2023): 147–209, https://doi.org/10.2139/ssrn.4396826.

[83] Alfonso Pating, "Insurance for a FAIR Future," National Resources Defense Council, 2025, https://www.nrdc.org/sites/default/files/2025-07/Reimagining_FAIR_Plans_IB_25-07-A_04_locked.pdf.

d. **Seek additional funding sources.** Many industries and institutions stand to lose from continued disruptions in property insurance markets and would benefit greatly from stabilization in these markets. Property lenders, for example, require insurable properties in order to extend loans, and stable mortgage markets allow lenders to further profit from the packaging and selling of mortgages on investment markets. The real estate industry, insurance brokers, homebuilders, and others also require stable insurance markets to operate and could be required to contribute financially, through fees, taxes or assessments, to a healthy and resilient home insurance market. States could also consider charges on the entities most responsible for climate-driven disasters, like the fossil fuel industry. Regardless of the specific funding structure, states should pursue diverse sources for the funds needed to respond to the insurance crisis, both as a way to more equitably spread the costs and benefits of a more stable insurance system and in response to declining federal disaster prevention dollars.[84]

e. **Consider collaboration with other states.** Because risk spreading makes insurance work better, cooperation among a set of states could provide an additional tool for spreading risk and pooling resources for FAIR Plans, as well as provide venues to share knowledge and tools for risk reduction.[85]

2. Offer robust policies at affordable rates.

Instead of orienting FAIR Plans around protecting the industry, they should be structured to best serve policyholders with affordable, robust, accessible coverage. As climate risk grows and private insurers retreat, the pricing of state insurers of last resort will become increasingly politically contested. Precisely because insurers of last resort are grounded in public policies, rate-setting and pricing must be understood to be a political decision and not merely a

[84] See Birss et al., "Shared Fates," 88–90, for more details on alternative funding sources.

[85] Birss et al., "Shared Fates," 87–88.

reflection of "the market" or the way to achieve risk reduction, which is better achieved directly.[86] (See more on risk reduction below.)

a. **Expand coverage beyond the bare bones.** FAIR Plan policies tend to provide only bare-bones coverage, often limited to actual cash value (replacement cost minus depreciation). Such coverage is unlikely to cover the expenses a household may incur after a major disaster, which could mean ongoing financial hardship for that household. Instead, policy options should include coverage that would allow households and housing providers—especially affordable housing providers—to be made financially whole after disasters.

b. **Combine, don't further fragment, coverage offerings.** Many FAIR Plans offer coverage for just one or two types of hazards; Beach/Wind Plans, for their part, cover only one type of hazard for a limited geography. These limits contradict insurance fundamentals of broad risk pooling and spreading, thus ensuring greater financial instability for the program. This is especially problematic in the context of growing large-scale disasters, which create large numbers of claims at once; in such cases, risk spreading is especially important. Fragmented policies also mean that households have to seek out multiple insurance policies to cover the full range of possible hazards, creating confusion and additional cost for them. Furthermore, different insurance carriers may fight over who is responsible for a specific event, leading to delays—and possibly even more insurance gaps—for policyholders.

c. **Ensure affordability of premium rates.** If households cannot afford adequate coverage, they will either elect to reduce coverage—exposing themselves to financial hardship in the case of a major disaster—or forgo it altogether.[87] Housing providers, especially non-profit affordable ones, that cannot afford adequate coverage may close up shop, worsening housing availability and affordability issues in the state. In our research, we did not come across any FAIR Plans with standardized premium affordability

[86] Moira Birss and Rebecca Elliott, "How Do We Fix Public Insurance Programs?," Climate and Community Institute, August 21, 2024, https://www.climateandcommunity.org/fix-insurance-programs.

[87] This in turn can lead to costly insurance forcibly placed on their mortgage by their lender. These forced-place policies protect the lender's assets, not the homeowner.

metrics already embedded. Instead, FAIR Plans should ensure affordability of premiums to households and housing providers through subsidies or income-level pricing.[88]

3. Require primary market participants to bear more risk.

Today, FAIR Plans provide a mechanism by which insurers can refuse to serve customers in the state, which incentivizes insurers to cherry-pick only the lowest-risk homes. This not only loads the higher-risk policies into the FAIR Plan but also violates the core insurance principle of risk spreading. Instead, policymakers should make the industry be responsible for backstopping the FAIR Plans and prohibit industry players from pushing those costs on to their customers.

a. **Prohibit insurers from recouping FAIR Plan costs.** In order to disincentivize insurers from using the existence of FAIR Plans as a mechanism to cherry-pick only the lowest-risk homes (and thus concentrate the riskiest policies in the FAIR Plan), the industry should be responsible for backstopping the FAIR Plans and prohibited from pushing those costs on to their customers. Specifically, FAIR Plans should not allow insurers to pass on to policyholders the baseline costs for FAIR Plan membership or the assessments levied to cover unexpected FAIR Plan claims payouts. This would both reduce cost burdens to all home insurance policyholders in the state and better align private insurer incentives with the public good so that they do not privatize the profits and socialize the losses of this public policy.[89]

b. **Establish robust coverage requirements for private insurers.** FAIR Plans can create perverse incentives for private insurers—for example, by giving private insurers an excuse to stay away from high-risk areas. Policymakers can combat this by imposing stricter limits on insurers' justifications for denying coverage and generally require insurers to offer coverage, at affordable rates, in

[88] See Pating, "Insurance for a FAIR Future" for a discussion of subsidized FAIR Plan pricing; see Birss et al., "Shared Fates" (79–80) for a discussion of income-level pricing.

[89] Pating, "Insurance for a FAIR Future."

higher-risk areas that otherwise they would leave entirely to the FAIR Plan. This is also good supervisory oversight. Scaling back the pooling and spreading of risk across geographies, timelines, levels, and types of risk is contrary to sound, stable insurance design, so why should insurance supervisors, whose mandate includes private market stability and solvency, allow private insurers to create narrow risk pools?

4. Establish transparent, democratic governance.

As the case studies and difficulties in obtaining data (see the appendix) make abundantly clear, the governance of today's FAIR Plans is generally opaque, primarily governed by the private company members, and subject to minimal oversight. If FAIR Plans are increasingly going to be an important public policy consideration in dealing with the insurance market failures that the climate crisis is exacerbating, then the governance, administration, and oversight of FAIR Plans must be brought more clearly under the purview of state public officials.

a. **Limit the private insurance industry's role in FAIR Plan governance.** Insurance company control of FAIR Plan design and operations should be limited, and insurance companies should not be able to unilaterally dictate the terms of coverage and policies.

b. **Establish democratic accountability in FAIR Plan administration.** This could take the form of publicly accountable boards with voting representation of one or more public officials and members of the state legislature along with climate experts and consumer advocates. Though still with an industry majority, the California Automobile Assigned Risk Plan Advisory Committee, which oversees the state's auto insurer of last resort, is composed of 8 insurance company representatives, 2 insurance agents or brokers, 4 consumer representatives, and a representative of the insurance commissioner.

c. **Provide transparency in FAIR Plan administration.** Governance meeting agendas, minutes, and financial statements should be publicly available, and board chairs should be required to regularly report to the state legislature.

d. **Ensure adequate support for policyholders.** FAIR Plans should establish minimum staffing and funding levels that ensure that policyholders are usually interacting with public employees rather than contractors with private entities, such as the Property Insurance Plan Service Office.

5. Engage in comprehensive, proactive hazard mitigation.

The more hazard risk is mitigated, the safer households are, and the less need exists for the financial protection of insurance. Particularly with the federal retreat in these areas, states must step up to reduce existing hazard risks and prevent the creation of new hazard risks.

a. **Develop internal understanding of current and future risks from extreme weather events.** Almost 40 percent of people in the United States live in areas at high risk of property damage and destruction from at least one type of disaster risk, and many communities face overlapping types of high disaster risk.[90] Though risk modeling inevitably contains some uncertainty in projections, adequate risk reduction requires making every effort to understand and mitigate these risks.

b. **Invest in individual-, community-, and landscape-level hazard mitigation.** While some FAIR Plans offer premium discounts for individual mitigation on single family homes, not all do, and none appear to offer comparable discounts for multifamily housing.[91] Though some states have hazard mitigation grant programs, these do not seem directly integrated with the FAIR Plan (more on this lack of coordination below). Furthermore, all of these individualized approaches ignore the fact that many of the necessary risk-reduction measures to respond to these big disasters, like sewer upgrades or neighborhood wildfire

[90] Birss et al., "Shared Fates."

[91] Environmental Defense Fund and Cornell University, "Summary of Risk Mitigation Approaches Adopted by Residual Insurance Programs," Insurance for Good, accessed August 8, 2025, https://www.insuranceforgood.org/blog/summary-of-risk-mitigation-approaches-adopted-by-residual-insurance-programs.

prevention, aren't measures individuals can take on their own but rather require community- and/or landscape-level mitigation approaches.[92] FAIR Plans should develop robust hazard mitigation support programs at all three levels and ensure such programs are truly accessible and beneficial to households of all income levels, housing providers, and communities.

c. **Prioritize proactive, community-level risk reduction over individualized incentives for risk reduction.** Programs based on household-level incentives for risk reduction—like the aforementioned premium discounts for home mitigation—do not work well to reduce risk at scale, due both to the mismatch of the larger geographic scale of disasters and the high upfront costs often required to gain access to such incentives that most middle- and lower-income households cannot afford. States should prioritize community-level, proactive risk-reduction work that puts the onus on public institutions, not individuals, to navigate, pay for, and enact. One avenue for this could be community-level mitigation premium discounts.[93]

6. Coordinate insurance, housing, land use, and disaster response policymaking.

FAIR Plans of today are detached from other climate resilience measures that states may be taking. Even states that are both reforming FAIR Plans and enacting long-term climate resilience strategies tend to do so on separate tracks. Silos between FAIR Plan management and a state's housing agency might not seem like a big deal, but if the climate risk analysis tools of insurance are not applied to housing policy, the siting of new housing in high-risk locations can mean ever more residents rely on the FAIR Plan. Conversely, risk mitigation measures could exacerbate housing availability or affordability if new housing development is not increased in lower-risk areas. Given the direct link between risk reduction and insurance stability and affordability, policymakers should require FAIR Plan management to incorporate state resilience planning. Such

[92] See Birss et. al., "Shared Fates," 82-86 for more on collective approaches to risk mitigation.

[93] Pating, "Insurance for a FAIR Future," 8.

coordination could save the state enormous sums of money. After all, proactive, physical risk-reduction measures can save vast amounts of money—estimates suggest as much as $13 for every $1 invested.[94]

[94] National Institute of Building Sciences, "Mitigation Saves: Mitigation Saves up to $13 per $1 Invested," 2019, https://nibs.org/wp-content/uploads/2025/04/ms_v4_overview.pdf.

Appendix

Data sources

Research for this project was conducted between May and August of 2025. When our research began, we quickly ran up against the uneven disclosure and reporting of information about these Plans, including a significant lack of transparency around basic facts relating to their policies, statutes, and the like.

The first sources we turned to were the official FAIR Plan websites. These were often outdated and contained little information other than the bare minimum. Because of their particular legal structure, almost no FAIR Plans were listed in the National Association of Insurance Commissioners' "System for Electronic Rates and Forms Filing" platform, a platform that tracks detailed information about private insurers. Attempts to email or call FAIR Plan offices were systematically ignored.

As a result, only in certain cases were we able to source information from FAIR Plan documents, such as plans of operation and bylaws, as well as state statutes, insurance codes, and reports by the state insurance regulators. We supplemented this information with news reporting for the case studies—often finding that journalists denounced the lack of transparency that we had encountered.

Much of the FAIR and Beach/Wind Plan quantitative data we sourced from Property Insurance Plans Service Office reports purchased for years 2023 and 2024. While the PIPSO data provided important figures around numbers of policies and financial outlooks, they were limited in the overall descriptions they provided of the operations, regulations, and decision-making processes. The means by which rates are set, and their relation to private insurers, is an opaque process lacking transparency for the broader public and often for state insurer regulators themselves.

We also used the following additional data sources for our quantitative analysis in the State insurer of last resort financial and coverage data table on pages 10-16:

- Property Insurance Reports compiled by Risk Information Inc. This data was provided to CCI by Birny Birnbaum of the Center for Economic Justice with the permission of the senior editor and conference co-chair at Risk Information Inc.
- US Treasury Federal Insurance Office Analyses of U.S. Homeowners Insurance Markets, 2018-2022.
- Tables generated by the Insurance Information Institute on FAIR Plans and Beach/Wind Plans by state (2023).

For a data dictionary with descriptions and source details of all variables included, see here.

Case study variable descriptions

Since, as we have argued in this report, the design of FAIR Plans is inherently political, each variable considered in our case studies reflects political decisions. The following descriptions explain the political economy importance of each variable.

1. Governance structure

State insurers of last resort tend to be organized as syndicated pools of private insurers or, less often, servicing carriers or state entities. The degree to which the programs are governed by state statutes or insurance codes versus internally designed bylaws or plans of operation varies by state. Most governing boards are dominated by industry representatives, and even programs not structured in this way (like Florida Citizens, whose leadership is appointed by public and elected officials) may end up with boards dominated by industry interests and/or operate in ways that represent and defend industry, not policyholder, interests. Some FAIR Plans—such as Colorado's, the most recent to be created—require board members "representing the interests of consumers and, to the extent practicable, representing consumer advocacy organizations and diverse geographic areas of the state."[95] However, such members remain a minority, and it is yet unclear the kind of impact they can have.

[95] "About FAIR Plan," Colorado FAIR Plan, n.d., https://www.coloradofairplan.com/about.

2. Assessment and recoupment methods

FAIR Plans are often authorized by statute to assess their member insurers—which typically includes all admitted private insurers writing policies in the state—in proportion to their market share. Assessments are most often mobilized in cases in which underwriting losses exceed premiums and existing reserves, or when these losses exceed the coverage provided by reinsurance (even though this ignores the investment income insurers may have also generated). In many cases, member insurers are allowed to pass the costs of these assessments in part or entirely on to the policyholders in the state. When allowed, such costs are passed as explicit surcharges on the bills of all policyholders. Even when it is not allowed, insurers can argue that rising costs of operating in a state require higher premiums for new or renewing policyholders, though in some states, recoupment of assessment costs through surcharges on policyholders may require the approval of the state insurance commissioner or other regulatory authority.

3. Reinsurance and surplus management

Reinsurance is insurance that insurers purchase in order to transfer portions of their risk exposure to private reinsurers; think of it as insurance for insurers. Like primary market insurers, state insurers of last resort use a portion of premium income to purchase reinsurance, particularly to have coverage in the case of large-scale catastrophic losses above a certain exposure threshold.[96]

Reinsurance markets operate as part of unregulated global financial markets. As such, global capital market conditions and other insured losses around the world determine if, and at what price, reinsurance is available. When reinsurance capital is more costly, higher costs are passed on to consumers.[97] This can have painful consequences that actively undermine the mission of providing affordable coverage. For example, Louisiana Citizens openly admitted that its 2022 request for a 63 percent rate increase on its residential property insurance

[96] For a comprehensive glossary of insurance terms, see the glossary in: Birss et al., "Shared Fates."

[97] For a more extensive discussion of reinsurance, see: Birss et al., "Shared Fates."

policies derived almost entirely from the increased cost of reinsurance.[98]

4. Pricing

Current design of state insurers of last resort creates tension between the public mandate to expand coverage, constraints aimed to protect the primary market, and the need to ensure financial viability. This leads to political pressure: Regulators may want to keep rates low for affordability in high-risk areas, but these Plans also aim to avoid competing with private insurers, often by controlling rates.

While FAIR Plan rates are often required to be "actuarially sound"—meaning premiums reflect insurers' assessment of their own risk—this often results in higher premiums for these FAIR Plan policyholders due to its high-risk pool. Some states, like Louisiana and Florida, even mandate rates above private market levels.[99] Such mandates are political decisions that contradict the goal of accessible coverage. Even without them, covering only the riskiest properties while private insurers "skim" the lowest-risk coverage results in high premiums. Many in the industry also argue that prices should reflect risk levels in order to incentivize risk reduction measures, but this ignores the many structural barriers to risk mitigation and the other variables used to determine premium prices.[100]

Ultimately, pricing politics reflect the challenge of balancing accessible coverage with protecting private insurance markets.

5. Market competition and depopulation strategy

Depopulation refers to processes by which policies in insurer of last resort programs are forcibly transitioned onto the private insurance market. Most insurers of last resort seek implicit mechanisms to

[98] Louisiana Department of Insurance, "Louisiana Department of Insurance Approves Citizens Rate Increase and Offers Tips for Policyholders," October 10, 2022, https://www.ldi.la.gov/news/press-releases/10-10-22-ldi-approves-citizens-rate-increase-and-offers-tips-for-policyholders.

[99] Kelly Booten, "Residual Market Comparison," Citizens Property Insurance Corporation, n.d., https://www.citizensfla.com/documents/20702/28368994/20221207+02Ab+Residual+Market+Comparison.pdf; Citizens Property Insurance Corporation, "Citizens Releases 2025 Rate Media Kit," June 18, 2024, https://www.citizensfla.com/-/20240618-citizens-releases-2025-rate-media-kit.

[100] For more on barriers to premium price driving risk reduction, see: Birss et. al., "Shared Fates", 65-70. For more on other variables used in premium pricing, see: Moira Birss et. al., *Penalized: The Hidden Cost of Credit Score in Home Insurance Premiums*, Consumer Federation of America & Climate and Community Institute, 2025, https://climateandcommunity.org/research/penalized-the-hidden-cost-of-credit-score-in-homeowners-insurance-premiums/.

push their policyholders back onto private insurers. When this is done as a systematic and massive strategy, it is called "depopulation" (see Texas Windstorm Insurance Association[101] and Florida Citizens[102]). Although California's "clearinghouse" does not force policyholders out, it does serve as a platform for participating insurers to offer coverage to policyholders currently in the FAIR Plan.[103] While this strategy aims to reduce state financial exposure and help private insurance companies take on more business, in practice it often shifts lower-risk policies to private companies, concentrating higher risk within the insurers of last resort.

[101] Texas Windstorm Insurance Association, "TWIA Depopulation Programs, 2016 Policyholder Communications," 2016, https://www.twia.org/wp-content/uploads/2016/11/Depopulation_Policyholder-Period-Education-Packet_11.30.2016_.pdf.

[102] Aliss Higham, "Florida's Largest Insurer Cuts Over 100,000 Policies in One Month," *Newsweek*, February 28, 2025, https://www.newsweek.com/florida-largest-insurer-cuts-100000-policies-one-month-2037019.

[103] FindLaw.com, "California Code, Insurance Code - INS § 10095," last updated January 1, 2024, https://codes.findlaw.com/ca/insurance-code/ins-sect-10095/.