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FAIR Plan Renewal Math Quick Card: 29.1% Rate Hike & 3% Renewal Commission

Current version — Nov 2, 2026. Update history: https://riskcoveragehub.com/california-fair-plan-rate-increase-commission-cuts-broker-playbook/
Governing Article Reference • California Retail Brokerage Series

THE OCTOBER 15, 2026 STRUCTURAL SQUEEZE: CLIENT PAYS MORE, BROKER EARNS LESS

Effective October 15, 2026, the California FAIR Plan enacted twin restructuring actions: a CDI-approved 29.1% overall average dwelling rate increase paired with a drastic internal commission cut (renewals reduced from 8% to 3%, new business from 10% to 7%). This cut applies across Dwelling Fire, Commercial, Commercial High Value, and Business Owner's Policies (CEA unaffected). Every FAIR Plan renewal in your book now meets both changes simultaneously.

THE ONE-POLICY MATHEMATICAL PROOF

THE ARTICLE'S BASELINE WORKED EXAMPLE

Metric / Line Item	Pre-Oct 15, 2026 (Old Schedule)	Post-Oct 15, 2026 (New Schedule)	Net Variance / Broker Reality
Dwelling Fire Premium	$3,000.00 baseline premium	$3,873.00 (+29.1% approved avg)	**CLIENT PAYS +$873.00 (+29.1%)**
Renewal Commission %	8.0% renewal schedule	3.0% renewal schedule	**-5.0% COMMISSION CUT (-62.5% RATE)**
Broker Dollar Pay	**$240.00 / year** ($3,000 × 8%)	**~$116.19 / year** ($3,873 × 3%)	**BROKER EARNS ~$124.00 LESS (-51.6%)**
Required Servicing Effort	Standard remarket & renewal file	Intense rate explanation & DIC wrap	**Workload identical or heavier; pay halved**

BOOK-LEVEL SCALING: THE 100-RENEWAL REALITY

FROM ABSTRACT TO AGENCY SOLVENCY

The 100-Policy Revenue Cliff:

- **Old Revenue (100 policies @ $3,000):** $24,000 annual renewal commissions.
- **New Revenue (100 policies @ $3,873):** ~$11,600 annual renewal commissions.
- **Immediate Agency Loss: -$12,400.00 direct annual cashflow contraction**.
- **The Workload Fallacy:** Servicing workload does not shrink. Brokers must review the risk, justify the 29.1% rate jump, structure DIC wraps, and execute diligent searches for half the pay.

The Legal Trap: No Fee-Based Escape Hatch

- **Statutory Prohibition:** California insurance regulations strictly prohibit charging a broker fee for services related to procuring FAIR Plan coverage.
- **No Client Pass-Through:** Lost commission revenue cannot be legally billed back to policyholders via broker fees or administration surcharges.
- **The Only Strategic Lever:** The only variable a retail broker actually controls in this structure is *where the policy is placed*.

WHY THE FAIR PLAN DID BOTH AT ONCE

THE OPERATIONAL & FINANCIAL MECHANICS

Operational Pressure	Reported Hard Data (June 2026 / CDI Filings)	Strategic Impact on Last-Resort Pool
Explosive Policy Growth	**696,562 policies in force** as of June 2026; total exposure surged to **~$768 billion** (+157% growth since Sept 2022).	FAIR Plan transitioned from a temporary safety net into the dominant property insurer across California brush areas.
Catastrophic Loss Events	January 2025 Los Angeles fires: **~$4 billion expected losses** across the Palisades and Eaton fires.	Severe capital exhaustion necessitated emergency solvency measures across the member carrier consortium.
Member Insurer Assessments	February 2025: Insurance Commissioner approved a **$1.0 billion assessment** on California admitted member carriers.	Admitted market carriers demand strict cost containment and rate adequacy from the FAIR Plan to avoid repeated assessments.
Rate vs Commission Dynamics	Filed for 35.8%; CDI approved 29.1%. Commission cuts (8% → 3%) were an internal pool decision, not CDI-ordered.	Plan claims higher premiums soften percentage cuts (3% of $3,873 vs 8% of $3,000), but broker net pay still drops 51.6%.

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The California FAIR Plan Broker Playbook: 6 Strategic Moves in the Order They Pay

Current version — Nov 2, 2026. Update history: https://riskcoveragehub.com/california-fair-plan-rate-increase-commission-cuts-broker-playbook/
Playbook Execution • Admitted-First • Wrap Strategy

THE PLAYBOOK: IN THE EXACT ORDER IT PAYS

6 REVENUE-PROTECTING ACTION STEPS

Step	Playbook Move	Operational Action & Regulatory Grounding	Broker Economics
MOVE 1	**Re-Shop the Admitted Market First, Every Time**	A home placed in 2023 was judged against 2023 underwriting guidelines. Admitted carriers have since enacted depopulation commitments under CDI's Sustainable Insurance Strategy, and new FAIR Plan intake is slowing. Conduct diligent searches across standard markets before touching the renewal file.	**Full Commission Recovery:** Admitted placements restore standard commission schedules (10%–15%) and provide comprehensive coverage in a single policy.
MOVE 2	**Where Admitted Carriers Decline, Work Surplus Lines Deliberately**	When standard markets decline, engage wholesale/surplus lines (E&S) markets. On eligible properties, specialty E&S forms provide broader terms than basic dwelling fire forms. Thoroughly document declines: your diligent search record serves as mandatory compliance proof and tangible demonstration of brokerage value.	**Negotiated Commission:** E&S commissions are negotiated directly between broker and wholesale market, bypassing the FAIR Plan's 3% ceiling.
MOVE 3	**For What Stays on the Plan, Sell the Wrap, Not the Policy**	A FAIR Plan dwelling policy provides basic fire only: *zero liability, zero theft, and zero water damage* coverage. A Difference in Conditions (DIC) policy issued by an admitted or E&S carrier fills these critical exposures. The DIC wrap is essential client protection and the vital economic bridge.	**Uncapped Private Commission:** DIC commission is governed by the private carrier's contract (typically 10%–15%), offsetting the 3% FAIR Plan revenue haircut.
MOVE 4	**Document Every Mitigation Discount Before Renewal Prices**	The FAIR Plan's wildfire-hardening discount program (in effect since Nov 15, 2025) offers up to **16.4% off the wildfire portion** of dwelling premiums. The 29.1% rate hike is concentrated in the wildfire segment; verifying defensible space, ember-resistant vents, and Class A roofs visibly cuts the client's renewal quote.	**Client Retention:** Softens the client's rate shock by hundreds of dollars, securing account retention while establishing undeniable advisory value.
MOVE 5	**Start Renewal Conversations Before the Offer Arrives**	California law requires renewal offers at least **45 days before expiration**. If clients discover a 29.1%+ hike from an automated envelope, churn surges. Contact policyholders 60 days out with market re-shopping already underway and DIC terms prepared.	**Account Preservation:** At 3% renewal commission, retention is agency economics. Preserving existing accounts is far more profitable than new customer acquisition.
MOVE 6	**Protect Your Expirations via Clearinghouse Access**	The FAIR Plan Clearinghouse allows participating insurers to inspect eligible risks and tender voluntary takeout offers without client contact info. If an insurer issues an offer and you lack an appointment or access, the business transfers away without you.	**Defend Your Book:** Secure market appointments and broker-of-record arrangements early to prevent carrier takeouts from stripping your renewals.

WHAT TO WATCH NEXT

MARKET SIGNALS & STRUCTURAL HEADWINDS

1. Depopulation Pace & Sustainable Insurance Strategy
If admitted carriers fulfill depopulation commitments under CDI's strategy, the 3% commission problem naturally unwinds policy by policy. If private capacity retreats and FAIR Plan growth resumes, industry commission protests will intensify.

2. Unfinished Rate Filings (Filed 35.8% vs Approved 29.1%)
The FAIR Plan requested a 35.8% increase and received 29.1%. With $4B in LA fire losses and a $1B member assessment, the pool has not finished repricing California wildfire exposure. Further rate filings remain imminent.

3. Ongoing Commission Pressure (The Bloomberg Argument)
Major editorial voices (e.g., Bloomberg's editorial board) have argued publicly that retail commissions on residual market policies should be cut further or eliminated entirely. The 3% renewal schedule is an active front, not a settled endpoint.

4. The Broker's Mandate: Placement Decision Over Autopilot
Brokers cannot afford to work twice as hard for half the pay. Every renewal must be re-earned: diligently searched, properly wrapped, mitigation-discounted, and clearly explained. Let qualified risks exit the last-resort market.

STRATEGIC SUMMARY FOR CALIFORNIA RETAIL BROKERS:
The FAIR Plan pays 3% because it intends to serve as temporary housing for distress risk. Retail brokers who treat FAIR Plan renewals on autopilot are personally subsidizing the system's structural deficit. Brokers who systematically execute the 6-step playbook protect agency revenue, insulate client accounts, and capture profitable private wrap and admitted placements.