

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1554 (Calderon) – As Amended April 30, 2026

Policy Committee: Insurance Vote: 17 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill requires the California Earthquake Authority (CEA), in submitting its annual report on the operations of the CEA to the Legislature, to provide the report to both of the Legislature's insurance committees, and to post the report on the CEA's website. The bill also requires the working group regarding risk transfer market mechanisms that existing law directs the Insurance Commissioner (IC) to convene to, by January 1, 2028, to incorporate hazard mitigation projects into its recommendations.

FISCAL EFFECT:

Costs to the CEA should be minor and absorbable. However, because the bill creates a report to the Legislature, it is a candidate for the suspense file, consistent with the committee's rules, custom and practice.

COMMENTS:

The CEA was formed through legislation in 1995 and 1996 to primarily address a homeowners-insurance availability crisis that followed the 1994 Northridge earthquake. After that earthquake, many homeowners found it difficult, and in some cases impossible, to find basic homeowners' insurance. Many others were faced with the prospect of having their homeowners' insurance non-renewed as insurance companies tried to shed their exposure to earthquake risk. Because state law required insurers to offer earthquake insurance biennially to both residential policy applicants and current residential policyholders, the insurers' retreat from the California market resulted in an availability crisis for homeowners' earthquake insurance. The California Department of Insurance (CDI) reported in summer 1996, at the height of the crisis, that 95% of the homeowners' insurance market had either stopped or severely restricted sales of new homeowners' policies. Today, CEA continues in its role as the largest residential earthquake insurer in California with slightly over 62% of the residential earthquake insurance market. CEA- participating insurers are responsible for 70% of California's residential property insurance.

Existing law requires the CEA to annually report to the Legislature and the IC on the CEA program operations, including the financial condition of the CEA, a description of rates and rating plans approved, an evaluation of CEA efforts toward making residential property insurance and residential earthquake insurance more available, and other specified requirements.

In addition, existing law requires the IC to convene a working group to identify, assess, and recommend risk transfer market mechanisms that: (1) promote investment in natural infrastructure to reduce the risks of climate change related to catastrophic events and (2) create incentives for investment in natural infrastructure to reduce risks to communities.

Analysis Prepared by: Jay Dickenson / APPR. / (916) 319-2081