

ASSEMBLY THIRD READING
AB 2038 (Harabedian and Zbur)
As Amended March 16, 2026
Majority vote

SUMMARY

Requires an insurer to offer to their policyholder, when a disaster-related total loss of a primary residential property occurs, coverage for at least the next three annual renewal periods, but no less than 36 months of coverage from the date of the total loss.

Major Provisions

- 1) Prohibits an insurer from canceling or refusing to renew a policy of residential property insurance for a property located in any ZIP Code within or adjacent to the fire perimeter for two years after the declaration of a state of emergency.
- 2) Makes findings and declarations.

COMMENTS

AB 2038 extends the one-year moratorium to two years for residential properties within the wildfire perimeter after a declared state of emergency. Under existing law, following the Governor declaring a state of emergency, California Department of Insurance (CDI) partners with CAL FIRE and CalOES to identify the wildfire perimeter and adjacent ZIP Codes. Once the area is determined, CDI issues a mandatory one-year moratorium on insurance companies from cancelling or non-renewing residential property insurance policies. The one year moratorium begins on the date the Governor declares a state of emergency. Since 2019, the Insurance Commissioner has issued 40 moratoriums in various counties across the state.

Additionally, AB 2038 requires an insurer to offer a homeowner who suffers a total loss three renewals (instead of two) of the property insurance policy covering the home, and at least 36 (instead of 24) months of coverage after the loss, subject to exceptions.

Pacific Palisades and Eaton Wildfires: CAL FIRE estimated that the Palisades Fire burned more than 6,600 structures and the Eaton Fire burned over 9,400. Rebuilding is taking longer than expected with many survivors still displaced. AB 2038 seeks to provide a little peace of mind for a longer period of time (under specified circumstances) by extending the period where a policyholder cannot be nonrenewed.

According to the Author

"More than a year after the Eaton and Palisades fires, many of the families I represent are still trying to rebuild what they lost. Recovery has not been a straight path: debris removal and permits take time, and insurance payments often come slowly, delaying construction. I also continue to hear from homeowners who are anxious about whether they will even be able to maintain or secure insurance coverage by the time they are finally able to rebuild.

When the Legislature passed SB 824 (Lara, 2018), it created important protections to prevent insurance companies from canceling policies right after a disaster. But in the years since, we've seen that rebuilding often takes much longer than those timelines anticipated.

That's why we introduced AB 2038 (Harabedian & Zbur), which simply extends those protections to better match the reality on the ground, so families don't have to worry about losing their insurance coverage while they are still working to rebuild their homes."

Arguments in Support

According to Consumer Watchdog, "Wildfires continue to devastate communities across California, displacing families and destroying homes at an alarming scale. The January 2025 Eaton and Palisades fires alone left nearly 192,000 residents displaced throughout Altadena and Los Angeles County. For these families, recovery is not a matter of months, it is a process that takes years, often accompanied by significant financial and emotional strain.

Current law establishes a one-year moratorium for properties located within or adjacent to fire perimeter ZIP Codes, and a two-year moratorium for total losses, timelines that don't reflect the reality of rebuilding today. Homeowners frequently face prolonged delays in insurance payouts and are forced to cover substantial out-of-pocket costs while navigating an already difficult recovery process.

By extending the moratorium period this bill ensures that homeowners are not at risk of losing their insurance coverage while they are still working to rebuild their lives. This added stability is critical for families trying to recover and for maintaining the long-term resilience of our communities. AB 2038 aligns policy protections with the real-world challenges Californians face after disasters."

Arguments in Opposition

According to the "Trades" (American Property Casualty Insurance Association (APCIA), National Association of Mutual Insurance Companies (NAMIC), Pacific Association of Domestic Insurance Companies (PADIC) & Personal Insurance Federation of California (PIFC)), "Limiting insurers' capacity to appropriately manage and rebalance risk for extended periods of time eliminates insurers' ability to respond to changing conditions, including increased wildfire exposure, inflation in rebuilding costs, and evolving catastrophe modeling. Without the ability to appropriately adjust portfolios, insurers are forced to retain risks that may no longer be actuarially sound.

Over time, this imbalance can have serious consequences. Restricting insurers' ability to adjust their portfolios may lead to increased financial strain, reduced capacity, and ultimately fewer coverage options for consumers. If an insurer cannot manage their risk concentration in one area of the state, under AB 2038 they may be forced to nonrenew properties outside of these emergency declaration ZIP Codes. This could result in more properties that are lower risk being driven to the FAIR Plan.

California's property insurance market is already under significant pressure. Measures that further restrict insurers' ability to manage risk will exacerbate existing challenges, ultimately reducing availability and choice for consumers. A healthy insurance market depends on a balanced legislative and regulatory framework that allows insurers to operate responsibly while maintaining the flexibility necessary to remain solvent and competitive."

FISCAL COMMENTS

According to the Assembly Appropriations Committee, costs of approximately \$45,000 in fiscal year (FY) 2026-27, \$94,000 in FY 2027-28, and \$81,000 in FY 2028-29 and annually thereafter

to CDI to notify insurers of the extended coverage requirements and provide related enforcement efforts.

VOTES

ASM INSURANCE: 13-3-1

YES: Calderon, Addis, Alvarez, Ávila Farías, Berman, Gipson, Harabedian, Krell, Nguyen, Ortega, Petrie-Norris, Michelle Rodriguez, Valencia

NO: Chen, Ellis, Hadwick

ABS, ABST OR NV: Wallis

ASM APPROPRIATIONS: 10-1-4

YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Solache

NO: Tangipa

ABS, ABST OR NV: Hoover, Dixon, Muratsuchi, Ta

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