
SENATE COMMITTEE ON INSURANCE

Senator Stephen Padilla, Chair

2025 - 2026 Regular

Bill No:	AB 2038	Hearing Date:	June 10, 2026
Author:	Harabedian		
Version:	March 16, 2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Brandon Seto		

SUBJECT: Residential property insurance: cancellations and nonrenewals

DIGEST: Requires an insurer to offer to their policyholders, 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. Additionally, 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 a fire perimeter for two years after the declaration of a state of emergency.

ANALYSIS:

Existing law:

- 1) States that for one year after the declaration of a state of emergency, an insurer cannot cancel or refuse to renew a residential property insurance policy for a property located in any ZIP Code within or adjacent to a fire perimeter, based on the fact that the insured structure is located in a wildfire area.
- 2) Describes that such a fire perimeter is determined by Department of Forestry and Fire Protection (CAL FIRE) in consultation with the Office of Emergency Services (Cal OES). Subsequently, CAL FIRE must provide the Insurance Commissioner with data describing the fire perimeter so that the Commissioner may determine which ZIP Codes are within or adjacent to the fire perimeter. The Commissioner must then issue a bulletin to inform insurers which ZIP Codes are subject to this one-year moratorium.
- 3) Creates exceptions to this moratorium in cases where the policyholder was willfully or grossly negligent, or if there are losses, physical, or risk changes to the property unrelated to the damage caused by the catastrophe.
- 4) Defines a “state of emergency” as the duly proclaimed existence of conditions of disaster or extreme peril to the safety of persons and property within the state, caused by conditions such as air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, electromagnetic pulse attack, plant or animal infestation or disease, among other conditions.

This bill:

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

- 2) 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 a fire perimeter for two years after the declaration of a state of emergency.

Background

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. AB 2038 better aligns these protections with the realities of recovery by extending the moratorium from one to two years for homes located in or adjacent to a fire perimeter ZIP Code; and extending the moratorium from two to three years for homes declared a total loss. This bill is supported by a strong coalition including the League of California Cities, Rural County Representatives of California, consumer advocates and our Insurance Commissioner. Wildfire survivors should not have to worry about losing their insurance coverage while they are still trying to rebuild their homes and their lives.

Related/Prior Legislation

SB 547 (Perez, Chapter 544, Statutes of 2025). Expanded to commercial property insurance the prohibition against an insurer cancelling or refusing to renew a residential property insurance policy for one year from the declaration of a state of emergency, if the residential property is located within the perimeter of a wildfire or in an adjacent ZIP Code.

SB 824 (Lara, Chapter 616, Statutes of 2018). Instituted, among other things, the one-year cancellation and nonrenewal moratorium after a wildfire emergency for residential property insurance policyholders in ZIP Codes within or adjacent to a fire perimeter.

SB 894 (Dodd, Chapter 618, Statutes of 2018). Required, among other things, an insurer to offer a homeowner who suffers a total loss two renewals of the property insurance policy covering the home, and at least 24 months of coverage after the loss, subject to exceptions.

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:

The insurance associations known as the “Trades” state:

“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.”

SUPPORT:

California Community Foundation
Consumer Federation of California
Consumer Watchdog
Insurance Commissioner Ricardo Lara / California Department of Insurance
League of California Cities
Nevada County Board of Supervisors
Rural County Representatives of California

OPPOSITION:

American Property Casualty Insurance Association
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

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