AB 2038 (Harabedian) - Residential property insurance: cancellations and nonrenewals

Version: March 16, 2026
Urgency: No
Hearing Date: June 29, 2026

Policy Vote: INS. 4 - 0
Mandate: No
Consultant: Janelle Miyashiro

Bill Summary: AB 2038 requires insurers to offer their policyholders coverage for at least the next three annual renewal periods (no less than 36 months from the date of the loss) following a disaster-related total loss of a primary residence, and prohibits insurers from canceling or refusing to renew residential property policies for properties in ZIP Codes within or adjacent to a fire perimeter for two years after a declared state of emergency.

Fiscal Impact: The California Department of Insurance (CDI) reports costs of $75,000 in Fiscal Year (FY) 2026-27, $150,000 in FY 2027-28, and $100,000 in FY 2028-29 and ongoing (Insurance Fund). These costs are associated with notifying insurers about the extended coverage requirements and updating bulletins, as well as additional enforcement workload for complaint intake and resolution. Additionally, CDI notes concerns that this bill may impact the resolution of future insurance company concentration risks. While the one-year moratorium in current law aligns with the standard timeframe of one-year insurance policies, the bill’s proposed two-year moratorium will increase the number of overlapping moratoriums statewide. Consequently, CDI anticipates this will lead to an increase in consumer questions and complaints.

Background: Current law requires insurers to offer their policyholders coverage for at least the next two annual renewal periods (no less than 24 months from the date of the loss) following a disaster-related total loss of a primary residence.

Current law also prohibits insurers from canceling or refusing to renew residential property policies for properties in ZIP Codes within or adjacent to a fire perimeter for one year after a declared state of emergency. Affected ZIP codes are identified through a multi-agency process. First, the Department of Forestry and Fire Protection (CAL FIRE) and the Office of Emergency Services (OES) establish the official fire perimeter and share this geographical data with the Insurance Commissioner. The Commissioner then uses this data to map out exactly which ZIP codes fall within or adjacent to the fire zone, ultimately issuing a formal bulletin to notify insurers of the areas subject to the moratorium.

Proposed Law:

- 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.

- 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.

- States legislative findings and declarations.

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