Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
AB 2724 (Bauer-Kahan) – As Amended April 16, 2026

SUBJECT: Catastrophe modeling: distressed areas

SUMMARY: Requires the California Department of Insurance (CDI) to review and update distressed areas, on or before July 1, 2027. Specifically, **this bill**:

1) Requires CDI, as part of its first review, to:

   a) Consult with the Department of Forestry and Fire Protection.

   b) Consider ZIP Codes with at least 10 percent of the sum of the following that are insured by the FAIR Plan;

      i) The number of residential properties in the ZIP Code that are insured by the FAIR Plan; and,

      ii) The number of residential properties in the ZIP Code that are insured in the voluntary market by admitted insurers under a policy of qualifying residential property insurance.

   c) Develop and implement a process that allows for meaningful public participation that includes, at a minimum, both of the following:

      i) Holding at least one public meeting to allow interested persons to submit suggestions for distressed areas; and,

      ii) Making available the proposed distressed areas for public review and comment.

2) Requires CDI to publish a bulletin on or before January 1, 2028, and yearly thereafter, with a list of ZIP Codes in distressed areas on CDI's website, and provide the information to the Assembly Committee on Insurance and the Senate Committee on Insurance.

3) Makes findings and declarations.

EXISTING LAW establishes "distressed areas" pursuant to Section 2664.4.8 of Title 10 of the California Code of Regulations.

FISCAL EFFECT: Unknown.

COMMENTS:

1) *Purpose of the bill*: According to the Author, "The Sustainable Insurance Strategy (SIS) regulations promulgated by the Department of Insurance fall short of protecting all Californians. Of particular concern are those communities in the wildland urban interface (WUI), which may not qualify as a "distressed area", but have neighborhoods facing severe wildfire risks and insurance cancellations/nonrenewals. We must ensure that impacted

communities are not left behind when determining which homes qualify for state assistance in attaining property insurance."

2) *Sustainable Insurance Strategy (SIS):* On September 21, 2023, Governor Newsom issued an Executive Order that requested the Insurance Commissioner to "take prompt regulatory action to strengthen and stabilize California's marketplace for homeowners' insurance and commercial property insurance, and to consider whether the recent sudden deterioration of the private insurance market presents facts that support emergency regulatory action". Following this Executive Order, the SIS was born. According to CDI the three main goals of the SIS are: accessible insurance for Californians; create a resilient insurance market; and protect communities from climate change

   As part of the SIS, and as it relates to this measure, one action item is to transition homeowners and business from the FAIR Plan back into the normal insurance market with commitments from insurance companies to cover all parts of California by writing no less than 85% of their statewide market share in high wildfire risk communities. The commitment to write must be in designated distressed areas, which leads to the importance of the definition of distressed areas. CDI approved its first SIS filings in early 2026 following implementation of the SIS.

3) *Distressed Areas as it Relates to the SIS*: "Distressed areas," as defined under the SIS and then further determined by CDI, has three components: they are in parts of California where wildfire is a threat, where insurance companies have reduced or restricted writing policies, and where there is a high concentration of FAIR Plan policies. As described by CDI: ZIP Code: Distressed areas include those with a FAIR Plan concentration rate of 15% that include high or very high wildfire hazard as defined by CAL FIRE. CDI also creates an affordability index to add ZIP Codes with lower incomes based on cost of coverage. Counties: California has 28 counties where insurance companies have rated more than 20% of properties at high or very high risk. CDI chose 20% of the threshold because it is the most inclusive while holding insurance companies accountable. FAIR Plan policies outside of highly distressed areas: Pockets of FAIR Plan policies exist in nearly every county, but lower-risk urban areas dilute the overall percentage. To target new policies where the problems are, insurance companies will take back FAIR Plan policies into the traditional market.

   The most recent list of counties and ZIP Codes that fall under distressed areas can be found here LIST OF DISTRESSED COUNTIES FOR INSURER QUALIFYING RESIDENTIAL PROPERTY INSURANCE COMMITMENTS.

   The estimated number of earned exposures for qualifying residential property insurance statewide, for the evaluation period ending on December 31, 2023, is 8,134,000 exposures excluding FAIR Plan. The estimated number of earned exposures for qualifying residential property insurance in both the voluntary market and the FAIR Plan inside the distressed areas of the state, for the evaluation period ending on December 31, 2023, is 1,472,000 exposures.

   As part of the SIS, admitted insurers must cover at least 85% (of their marketshare) of properties in distressed areas, which means they will need to write more policies in distressed areas and remove policies from the FAIR Plan.

4) *Assembly Insurance Committee Oversight Hearings:* The Assembly Insurance Committee has held several oversight hearings focused on the SIS, as recent as February 18, 2026. This hearing, in particular, highlighted a recent news article California Promised Insurance Relief, But Delivered Loopholes - The New York Times. AB 2724 seems to stem from this article which concludes that the definition of distressed areas may have loopholes; for example the article points out the definition established under the SIS allows insurers to write new policies that do not overlap with what the State Fire Marshal deems to be the most fire prone.

   AB 2724 ensures CDI is annually reviewing distressed areas to make sure the definition accurately reflects those areas in need.

REGISTERED SUPPORT / OPPOSITION:

Support

California State Association of Counties (CSAC)
Contra Costa County
League of California Cities
Orinda; City of
Rural County Representatives of California (RCRC)

Opposition

None on file.

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