

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2724 (Bauer-Kahan) – As Amended April 16, 2026

Policy Committee: Insurance

Vote: 16 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill requires the California Department of Insurance (CDI) to annually review and update its designation of a distressed area.

Specifically, this bill:

- 1) Requires CDI to review and update a distressed area, as defined pursuant to existing regulations, by July 1, 2027, and annually thereafter.
- 2) Requires CDI, as part of the review and update, to: (a) consult with the Department of Forestry and Fire Protection (CAL FIRE), (b) consider zip codes with a certain concentration of residential properties insured by the California Fair Access to Insurance Requirements (FAIR) Plan, and (c) develop and implement a process that allows for meaningful public participation.
- 3) Requires CDI to publish a bulletin with a list of zip codes in distressed areas on CDI's website and provide the information to the Legislature by January 1, 2028, and annually thereafter.

FISCAL EFFECT:

- 1) Costs of approximately \$21,000 in fiscal year (FY) 2026-27 and \$34,000 in FY 2027-28 and annually thereafter to CDI to review and track data pursuant to a public process and publish the list of distressed area zip codes (Insurance Fund). CDI notes that it may also need to update regulations.
- 2) Likely absorbable costs to CAL FIRE to consult with CDI to review distressed areas.

COMMENTS:

- 1) **Purpose.** According to the author:

The Sustainable Insurance Strategy (SIS) regulations promulgated by [CDI] 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.

This bill is supported by local government entities.

- 2) **Background. *Evolution of the FAIR Plan.*** The FAIR Plan is a private association of all licensed insurance companies created by the Legislature in 1968 to serve as the “insurer of last resort” for basic property insurance in the event of a market failure. Although originally envisioned to cover urban commercial property following the Watts Riots, the FAIR Plan expanded to include homeowners’ insurance across the state and, more recently, due to the continued risk of catastrophic wildfires and admitted market withdrawal, expanded to commercial coverage of farms, ranches, and other agricultural businesses. In many places, the FAIR Plan is the only insurer available to property owners. As of December 2025, the FAIR Plan’s policies in force reached over 668,000, representing a 4% increase since September 2025, and a 146% increase since September 2022.

Distressed Areas. The Insurance Commissioner’s (IC’s) SIS stems from Governor Newsom’s Executive Order requesting the IC 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 regulator action.

One action item of the SIS is to transition homeowners and businesses from the FAIR Plan back to 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 “distressed areas” where wildfire is a threat, insurance companies have reduced or restricted writing policies, and there is a high concentration of FAIR Plan policies. An insurer must submit new rate filings to show it is meeting the targets for new policies, with an insurer that does not meet the SIS target potentially prevented from using catastrophe modeling in the future. Accordingly, the SIS intends to motivate an insurer to write more policies in distressed areas, resulting in greater depopulation from the FAIR Plan. This bill requires CDI to annually review which zip codes qualify as a distressed area to ensure the definition reflects areas in need.

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