SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2724 (Bauer-Kahan) - Catastrophe modeling: distressed areas

Version: April 16, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: INS. 6 - 0
Mandate: No
Consultant: Janelle Miyashiro

Bill Summary: AB 2724 requires the California Department of Insurance (CDI) to annually review and update distressed areas pursuant to the Sustainable Insurance Strategy (SIS) regulations, as specified.

Fiscal Impact:

- CDI estimates costs of $84,000 in Fiscal Year (FY) 2026-27, $148,000 in FY 2027-28, and $136,000 in FY 2028-29 and ongoing to manage regulatory updates, coordinate distressed area reviews, and conduct public meetings (Insurance Fund).
- Unknown costs for the California Department of Forestry and Fire Protection (CAL FIRE) to provide consultation on distressed areas.

Background: Announced by California Insurance Commissioner Ricardo Lara in September 2023 following Executive Order N-12-23 from Governor Gavin Newsom, CDI's SIS represents the most extensive overhaul of the state's insurance regulations since Proposition 103 enacted in 1988. Designed to stabilize a property insurance market strained by escalating climate-driven disasters, the strategy introduces major regulatory reforms that allow insurers to utilize forward-looking catastrophe modeling and incorporate reinsurance costs into their rate-making processes. In exchange, private insurers must commit to writing at least 85% of their market share in wildfire-distressed areas, a mandate intended to transition homeowners off the overburdened California Fair Access to Insurance Requirements (FAIR) Plan and back into the standard market. Ultimately, the strategy aims to restore market availability, ensure insurance premiums accurately reflect modern climate risks, and reward property owners for wildfire mitigation efforts.

Proposed Law:

- Requires CDI, by July 1, 2027, and annually thereafter, to review and update distressed areas pursuant to the SIS regulations. As part of this review, requires CDI to do all of the following:
  - Consult with CAL FIRE.
  - Consider ZIP Codes with at least 10 percent of the sum of the following that are insured by the FAIR Plan:
    - The number of residential properties in the ZIP Code that are insured by the FAIR Plan.

    - 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.

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

    - Holding at least one public meeting to allow interested persons to submit suggestions for distressed areas.

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

- Requires CDI, by January 1, 2028, and annually thereafter, to publish a bulletin on its website listing ZIP codes in distressed areas and to provide this information to the Assembly and Senate Insurance Committees.

- States legislative findings and declarations.

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