Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 2724
Author: Bauer-Kahan (D)
Amended: 4/16/26 in Assembly
Vote: 21

SENATE INSURANCE COMMITTEE: 6-0, 6/24/26
AYES: Padilla, Niello, Becker, Menjivar, Richardson, Rubio
NO VOTE RECORDED: Jones

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 77-0, 5/14/26 (Consent) - See last page for vote

SUBJECT: Catastrophe modeling: distressed areas

SOURCE: Author

DIGEST: This bill requires the California Department of Insurance (CDI) to review and update distressed areas, on or before July 1, 2027, and yearly thereafter. Establishes additional requirements for public input and awareness of areas classified as distressed.

ANALYSIS:

Existing law:

1) Creates the CDI, headed by the Insurance Commissioner (Commissioner), and generally regulates the business of insurance in the state.

2) Establishes the California Fair Access to Insurance Requirements Plan (FAIR Plan) to assure the stability of the property insurance market, to assure the availability of basic property insurance, as defined, to encourage maximum use of the normal insurance market in obtaining basic property insurance provided by admitted insurers and licensed surplus line brokers.

3) States under Section 2644.4.8 of Title 10 of the California Code of Regulations, that “distressed areas” include:

   a) Undermarketed ZIP Codes. An Undermarketed ZIP Code shall mean a ZIP Code, as determined by the Commissioner, which at least partially overlaps with a high or very high fire hazard severity zone as shown on current maps published by the Department of Forestry and Fire Protection (Cal FIRE) and in which ZIP Code either:

      i) At least fifteen percent of the sum, as specified, are insured by the FAIR Plan.

      ii) The average premium per $1,000.00 of Coverage A in the ZIP Code is at least four dollars while the median income of the ZIP Code is no higher than the fiftieth percentile for the state.

   b) Distressed counties. A county is considered distressed if the percentage of structures situated in that county that are at high or very high wildfire risk is no lower than the 50th percentile of counties in the state, as determined by the Commissioner.

This bill:

1) Requires CDI to review and update distressed areas, through the following methods:

   a) Consult with Cal FIRE.

   b) Consider ZIP Codes with at least 10% 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.

      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.

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 related findings and declarations.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

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.

SUPPORT: (Verified 8/14/26)

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

OPPOSITION: (Verified 8/14/26)

Insurance Commissioner Ricardo Lara / California Department of Insurance

ARGUMENTS IN SUPPORT:

A coalition of cities and counties states:

"Under the Catastrophe Modeling Regulations adopted in January 2025, insurance companies are required to offer insurance to 85% of their statewide market share in distressed areas identified by the Insurance Commissioner. Distressed areas are defined by zip codes that have 15% or more property owners enrolled in the FAIR Plan and counties that have 20% or more properties that are in a high-risk area.

During the public comment period of the Catastrophe Modeling, our organizations noted our concern with the 15% statistic and noted that even with this requirement it was unclear whether insurance companies would provide coverage to all communities experiencing high insurance policies or the ability to obtain coverage.

This bill would require CDI to specifically consider the number of residential properties in the ZIP Code that are insured by the FAIR Plan, and 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. By reviewing the distressed areas definition this could allow more jurisdictions to have access to insurance under the Catastrophe Modeling regulations."

ARGUMENTS IN OPPOSITION:

According to the California Department of Insurance:

"The Department, under the leadership of Insurance Commissioner Ricardo Lara, supports the goal of improving insurance availability in wildfire-affected communities, including those in the wildland-urban interface, and ensuring the calculation of distressed areas is transparent. However, your bill does not reflect the same level of analysis and coordinated regulatory development underlying the Department's existing legal framework. The current distressed area framework was developed through extensive coordination across multiple Department branches and divisions, with input from subject matter experts both within and outside the Department, in addition to receiving significant public input from across the state, as part of the broader Sustainable Insurance Strategy (SIS). The goal of the SIS is consistent with the goals of Proposition 103: to increase the availability and affordability of homeowners insurance in high-risk areas.

AB 2724 risks disrupting that established regulatory framework and raises serious concerns under Prop. 103. As you know, in order to amend Prop. 103, legislation must further the purposes of Prop. 103 which are, among other things, to increase the affordability and availability of insurance. The voters delegated that responsibility to the elected Insurance Commissioner when Prop. 103 was adopted. AB 2724 does not demonstrate that it would further the purposes of Prop. 103. Not only does the bill improperly substitute the Legislature's judgment for that of the Department's technical and legal expertise, but the bill also presents significant litigation risk as an improper amendment to Prop. 103."

ASSEMBLY FLOOR: 77-0, 5/14/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Arambula, Flora, Celeste Rodriguez

Prepared by: Brandon Seto / INS. / (916) 651-4110
8/14/26 14:25:27

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