CONCURRENCE IN SENATE AMENDMENTS
AB 2724 (Bauer-Kahan)
As Amended August 20, 2026
Majority vote

SUMMARY

Requires the California Department of Insurance (CDI) to review and update distressed areas, on or before July 1, 2027, and yearly thereafter.

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 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.

      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.

Senate Amendments

1) Revise findings and declarations.

2) Create new intervals for the payment of non-compliance penalties regarding the submission of reports by certain admitted insurers to the Insurance Commissioner (Commissioner) every two years related to their residential property policies' fire risk.

3) State that by July 1, 2027, and annually thereafter, CDI must conduct a review and update of distressed areas, pursuant to Section 2644.4.8 of Title 10 of the California Code of Regulations, based on updates of WUI-designated areas.

4) Specify as part of that review, CDI must consult with the Department of Forestry and Fire Protection (Cal FIRE) regarding wildfire hazard and WUI-designated areas.

a) The review must also consider analysis of ZIP Codes based on the number of properties insured by the California Fair Access to Insurance Requirements Plan Association (FAIR Plan) and by admitted insurers. T

b) The review must contain a process for public participation, as specified. 5)

5) Require CDI to publish the review's findings by January 1, 2028, and annually thereafter with required information on ZIP Codes in WUI areas.

   a) These findings must also be provided to the Senate and Assembly Insurance Committees.

      i) Specifies that the findings can be published every other year if the percentage of homes in WUI-designated areas on the FAIR Plan or uninsured homes reduces by 20% or more from the preceding year.

COMMENTS

1) *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.

2) *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 at [https://www.insurance.ca.gov/01-consumers/180-climate-change/upload/catastrophe-modeling-and-ratemaking-insurer-commitments-to-increase-writing-of-policies-in-high-risk-wildfire-areas-list-of-distressed-counties-and-undermarketed-zip-codes-residential-property-insurance-commitments.pdf]

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."

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
The California Insurance Commissioner, Ricardo Lara, who is opposed unless amended, states, "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 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."

FISCAL COMMENTS

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.

VOTES:

ASM INSURANCE: 16-0-1
YES: Calderon, Wallis, Addis, Alvarez, Ávila Farías, Berman, Ellis, Gipson, Hadwick, Harabedian, Krell, Nguyen, Ortega, Petrie-Norris, Michelle Rodriguez, Valencia
ABS, ABST OR NV: Chen

ASM APPROPRIATIONS: 14-0-1
YES: Wicks, Hoover, Aguiar-Curry, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa
ABS, ABST OR NV: Arambula

ASSEMBLY FLOOR: 77-0-3
YES: 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
ABS, ABST OR NV: Arambula, Flora, Celeste Rodriguez

UPDATED

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CONSULTANT: Kathleen O'Malley / INS. / (916) 319-2086 FN: 0004245