

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
SB 547 (Pérez & Rubio) – As Amended July 10, 2025

SENATE VOTE: 39-0

SUBJECT: Commercial property insurance cancellation and nonrenewal

SUMMARY: Extends the prohibition to commercial property insurance, for an insurer from canceling or refusing to renew a residential property insurance policy for one year from the declaration of a state of emergency, if the residential property is located within the perimeter of a wildfire or in an adjacent ZIP Code. Specifically, this **bill**:

- 1) Provides the fire perimeter shall be determined by the Department of Forestry and Fire Protection in consultation with the Office of Emergency Services.
- 2) Requires the California Department of Insurance (CDI) to provide the Insurance Commissioner with data describing the fire perimeter sufficient for the Insurance Commissioner to determine which ZIP Codes are within or adjacent to the fire perimeter.
- 3) Requires the Insurance Commissioner to issue a bulletin to inform insurers which ZIP Codes are subject to this subdivision.
- 4) Specifies the above provisions do not apply in following circumstances:
 - a) If willful or grossly negligent acts or omissions by the named insured, or the named insured's representatives, are discovered that materially increase any of the risks insured against;
 - b) If losses unrelated to the post disaster loss condition of the property have occurred that would collectively render the risk ineligible for renewal; and,
 - c) If there are physical or risk changes to the insured property beyond the catastrophe-damaged condition of the structures and surface landscape that result in the property becoming uninsurable.
- 5) Defines "policy of commercial property insurance" as a policy subject to Section 675.5, including, but not limited to, a policy of commercial property insurance that insures against loss of, or damage to, real property or property used in agricultural production or that insures against loss of, or damage to, real property used primarily for residential purposes.
- 6) Specifies, a "policy of commercial property insurance" does not include either of the following:
 - a) Policies that are inland marine, transit, or transportation insurance; and,

- b) A policy of commercial property insurance with policy limits of ten million dollars (\$10,000,000) or more that does not insure against loss of, or damage to, either of the following:
 - i) Real property or property used in agricultural production; and,
 - ii) Real property used primarily for residential purposes.

EXISTING LAW:

- 1) Provides for the regulation of insurance by CDI, which is under the control of the Insurance Commissioner. (Insurance Code, Section 12921)
- 2) States that for one year after the declaration of a state of emergency, an insurer cannot cancel or refuse to renew a residential property insurance policy for a property located in any ZIP Code within or adjacent to a fire perimeter, based on the fact that the insured structure is located in a wildfire area. (Insurance Code, Section 675.1)
- 3) Describes that such a fire perimeter is determined by Department of Forestry and Fire Protection (CAL FIRE) in consultation with the Office of Emergency Services (CalOES) Subsequently, CAL FIRE must provide the Insurance Commissioner with data describing the fire perimeter so that the Commissioner may determine which ZIP Codes are within or adjacent to the fire perimeter. The Commissioner must then issue a bulletin to inform insurers which ZIP Codes are subject to this one-year moratorium. (Insurance Code, Section 675.1)
- 4) Creates exceptions to this moratorium in cases where the policyholder was willfully or grossly negligent, or if there are losses, physical, or risk changes to the property unrelated to the damage caused by the catastrophe. (Insurance Code, Section 675.1)
- 5) Specifies that commercial insurance means commercial multiperil, commercial property, commercial liability, commercial special multiperil, commercial comprehensive multiperil, errors and omissions liability, and professional liability insurance, as specified. (Insurance Code, Section 675.5)
- 6) Defines “state of emergency” as the duly proclaimed existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions such as air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, electromagnetic pulse attack, plant or animal infestation or disease, the Governor’s warning of an earthquake or volcanic prediction, or an earthquake, or other conditions, other than conditions resulting from a labor controversy or conditions causing a “state of war emergency,” which, by reason of their magnitude, are or are likely to be beyond the control of the services, personnel, equipment, and facilities of any single county, city and county, or city and require the combined forces of a mutual aid region or regions to combat, or with respect to regulated energy utilities, a sudden and severe energy shortage requires extraordinary measures beyond the authority vested in the Public Utilities Commission. (Insurance Code, Section 2051.5; Government Code, Section 8558)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose of the bill:* According to the Author, “Just like residential homeowners, holders of commercial insurance policies need and deserve reliable insurance during a disaster like the wildfires we’ve just experienced. These small businesses, non-profits, and other entities that have commercial insurance not only contribute to the local economy by generating revenue and infusing tax dollars into the city and county, they serve the community and are an integral part of the process to restore the neighborhood to how it was before the disaster struck. SB 547 will expand the one-year moratorium to prevent cancellations or notices of nonrenewal on small businesses and nonprofit organizations – protecting this valued and essential part of the community.”
- 2) *SB 824 of 2018:* It’s important to highlight SB 824 as it relates to this bill. SB 547 expands the residential property insurance moratorium to commercial property insurance with specified exceptions. Since 2019, the Insurance Commissioner has issued 36 moratoriums. Under existing law, following the Governor declaring a state of emergency, CDI partners with CAL FIRE and CalOES to identify the wildfire perimeter and adjacent ZIP Codes. Once the area is determined, CDI issues a mandatory one-year moratorium on insurance companies from cancelling or non-renewing residential property insurance policies. The one year moratorium begins on the date the Governor declares a state of emergency.
- 3) *Pacific Palisades and Eaton Wildfires:* In addition to the numerous homes lost in the fires, there were also 1,863 businesses located within the fire zones, with the Palisades Fire affecting 1,117 businesses (60.0%) and the Eaton Fire affecting 746 businesses (40.0%). These businesses employed an estimated 9,610 workers, generating \$1.4 billion in annual sales.
- 4) *Arguments in Support:* According to Insurance Commissioner Ricardo Lara, “This bill will safeguard commercial policyholders from further harm following an emergency and reinforces the economic and social infrastructure that communities depend on to rebuild. This helps maintain continuity for business, condominiums, homeowner associations, and other commercial policies- fortifying the local economies that depend on them, especially during a period of recovery and rebuilding. It’s a practical step toward ensuring that recovery is possible for all- not just homeowners, but for every member of the community.”
- 5) *Arguments in Opposition:* According to the “Trades” (identified below), “The trades are fundamentally opposed to legislative proposals that seek to limit the ability of insurers to manage their risk. However, given the current instability in the California market, we understand that the goal of this legislation is to provide certainty to those policyholders that are located in and around disasters. The author and sponsors have cited homeowners associations (HOA), condominium complexes, and affordable housing units among others as commercial properties they are hoping to protect. The trades would propose that SB 547 be tailored more specifically to these types of commercial habitation risk – those policies for HOAs, condos, apartments, senior living facilities, etc. By narrowing the scope of this legislation to commercial habitation risks, we can limit the unintended consequences to the broader commercial policyholder population.”
- 6) *Related Legislation:* SB 365 (Alvarado-Gil) Beginning no later than January 1, 2027, and by every January 1 thereafter, requires CDI to report information to the Legislature on how the one-year prohibition on residential property insurance cancellation/nonrenewal for

designated fire areas (prohibition/moratorium) affects cancellations, nonrenewals, and FAIR Plan coverage secured in the ZIP Codes subject to the prohibition. Pending before the Senate Insurance Committee.

- 7) *Previous Legislation:* SB 824 (Lara, Chapter 616, Statutes of 2018). Instituted, among other things, the one-year cancellation and nonrenewal moratorium after a wildfire emergency for residential property insurance policyholders in ZIP Codes within or adjacent to a fire perimeter.
- 8) *Recommended Amendments:* Recent amends taken by the Author attempt to carve out larger commercial properties but confusion remains. The committee recommends the following amends to clarify the author's intent to focus on small businesses.

SECTION 1. Section 675.55 is added to the Insurance Code, to read:

675.55. (a) (1) An insurer shall not cancel or refuse to renew a policy of commercial property insurance for a property located in any ZIP Code within or adjacent to the fire perimeter, for one year after the declaration of a state of emergency, as defined in Section 8558 of the Government Code, based solely on the fact that the insured structure is located in an area in which a wildfire has occurred. This prohibition applies to all policies of commercial property insurance in effect at the time of the declared emergency.

(2) For the purposes of this section, the fire perimeter shall be determined by the Department of Forestry and Fire Protection in consultation with the Office of Emergency Services. The department shall provide the commissioner with data describing the fire perimeter sufficient for the commissioner to determine which ZIP Codes are within or adjacent to the fire perimeter. The commissioner shall then issue a bulletin to inform insurers which ZIP Codes are subject to this subdivision.

(b) Subdivision (a) does not apply in any of the following circumstances:

(1) If willful or grossly negligent acts or omissions by the named insured, or the named insured's representatives, are discovered that materially increase any of the risks insured against.

(2) If losses unrelated to the post-disaster loss condition of the property have occurred that would collectively render the risk ineligible for renewal.

(3) If there are physical or risk changes to the insured property beyond the catastrophe-damaged condition of the structures and surface landscape that result in the property becoming uninsurable.

(c) (1) For the purposes of this section, "policy of commercial property insurance" is a policy subject to Section 675.5, **including, but not limited to, a policy of commercial property insurance that insures against loss of, or damage to, real property or property used in agricultural production or that insures against loss of, or damage to, real property used primarily for residential purposes.**

(2) For purposes of this section, a “policy of commercial property insurance” does not include either of the following:

(A) Policies that are inland marine, transit, or transportation insurance, **including commercial automobile insurance.**

~~(B) A policy of commercial property insurance with policy limits of ten million dollars (\$10,000,000) or more that does not insure against loss of, or damage to, either of the following:~~ A policy of commercial property insurance with an annual premium of \$25,000 or more and the insured employed at least 25 employees on average during the prior 12 months.

~~(i) Real property or property used in agricultural production.~~

~~(ii) Real property used primarily for residential purposes.~~

(3) Notwithstanding subparagraph (B) of paragraph (2), the provisions of this section shall apply to a policy of commercial property insurance that insures against loss of or damage to, real property, used primarily for commercial residential or habitational purposes, including but not limited to policies insuring:

(A) Homeowners Associations (HOA);

(B) Condominium Associations (COA)

(C) Long term rental Hotels / Motels;

(D) Apartment Complexes;

(E) Condominium Complexes;

(F) Multi-Family Dwellings with greater than 5 units;

(G) Student Housing; or

(H) Senior Living Facilities.

REGISTERED SUPPORT / OPPOSITION:

Support

California Community Foundation

Consumer Watchdog

County of Fresno

Eden Housing

Fresno County Board of Supervisors

Glendale; City of

Insurance Commissioner Ricardo Lara / California Department of Insurance

Madera County Board of Supervisors

Mendocino County Board of Supervisors

Rural County Representatives of California (RCRC)

United Policyholders

Oppose Unless Amended

American Property Casualty Insurance Association
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies

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