

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON INSURANCE

Lisa Calderon, Chair

AB 2038 (Harabedian & Zbur) – As Amended March 16, 2026

SUBJECT: Residential property insurance: cancellations and nonrenewals

SUMMARY: Requires an insurer to offer to their policyholder, when a disaster-related total loss of a primary residential property occurs, coverage for at least the next three annual renewal periods, but no less than 36 months of coverage from the date of the total loss. Specifically, **this bill:**

1) Prohibits an insurer from canceling or refusing to renew a policy of residential property insurance for a property located in any ZIP Code within or adjacent to the fire perimeter for two years after the declaration of a state of emergency.

2) Makes findings and declarations.

EXISTING LAW:

1) Provides for the regulation of insurance by the California Department of Insurance (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) Requires an insurer to offer a homeowner who suffers a total loss two renewals of the property insurance policy covering the home, and at least 24 months of coverage after the loss, subject to exceptions. (Insurance Code, Section 675.1)

4) Describes that such a fire perimeter is determined by the 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)

5) 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)

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 bill:* According to the Authors, “More than a year after the Eaton and Palisades fires, many of the families I represent are still trying to rebuild what they lost. Recovery has not been a straight path: debris removal and permits take time, and insurance payments often come slowly, delaying construction. I also continue to hear from homeowners who are anxious about whether they will even be able to maintain or secure insurance coverage by the time they are finally able to rebuild.

When the Legislature passed SB 824 (Lara, 2018), it created important protections to prevent insurance companies from canceling policies right after a disaster. But in the years since, we’ve seen that rebuilding often takes much longer than those timelines anticipated.

That’s why we introduced AB 2038 (Harabedian & Zbur), which simply extends those protections to better match the reality on the ground, so families don’t have to worry about losing their insurance coverage while they are still working to rebuild their homes.”

- 2) *Background:* AB 2038 extends the one-year moratorium to two years for residential properties within the wildfire perimeter after a declared state of emergency. 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.

Since 2019, the Insurance Commissioner has issued 40 moratoriums in various counties across the state.

Additionally, AB 2038 requires an insurer to offer a homeowner who suffers a total loss three renewals (instead of two) of the property insurance policy covering the home, and at least 36 (instead of 24) months of coverage after the loss, subject to exceptions.

- 3) *Pacific Palisades and Eaton Wildfires:* CAL FIRE estimated that the Palisades Fire burned more than 6,600 structures and the Eaton Fire burned over 9,400. Rebuilding is taking longer than expected with many survivors still displaced. AB 2038 seeks to provide a little peace of mind for a longer period of time (under specified circumstances) by extending the period where a policyholder cannot be nonrenewed.
- 4) *Previous Legislation:* SB 547 (Perez, Chapter 544, Statutes of 2025) This bill expanded to commercial property insurance the prohibition against an insurer cancelling 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.

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.

SB 894 (Dodd, Chapter 618, Statutes of 2018) Required, among other things, an insurer to offer a homeowner who suffers a total loss two renewals of the property insurance policy covering the home, and at least 24 months of coverage after the loss, subject to exceptions.

- 5) *Area of thought and consideration:* It is undeniable that this measure strengthens existing consumer protections for those who have lost a home or live in the vicinity of a disaster, but it should be noted that it could carry insurance market implications. Should the measure move forward, it will be important to fully understand how measures such as these along with others moving through the Legislature will impact the ability for the insurance market to recover and write more policies in California.
- 6) *Arguments in Support:* According to Consumer Watchdog, “Wildfires continue to devastate communities across California, displacing families and destroying homes at an alarming scale. The January 2025 Eaton and Palisades fires alone left nearly 192,000 residents displaced throughout Altadena and Los Angeles County. For these families, recovery is not a matter of months, it is a process that takes years, often accompanied by significant financial and emotional strain.

Current law establishes a one-year moratorium for properties located within or adjacent to fire perimeter ZIP Codes, and a two-year moratorium for total losses, timelines that don’t reflect the reality of rebuilding today. Homeowners frequently face prolonged delays in insurance payouts and are forced to cover substantial out-of-pocket costs while navigating an already difficult recovery process.

By extending the moratorium period this bill ensures that homeowners are not at risk of losing their insurance coverage while they are still working to rebuild their lives. This added stability is critical for families trying to recover and for maintaining the long-term resilience of our communities. AB 2038 aligns policy protections with the real-world challenges Californians face after disasters.”

- 7) *Arguments in Opposition:* According to the “Trades” (APCIA, NAMIC, PADIC & PIFC), “Limiting insurers’ capacity to appropriately manage and rebalance risk for extended periods of time eliminates insurers’ ability to respond to changing conditions, including increased wildfire exposure, inflation in rebuilding costs, and evolving catastrophe modeling. Without the ability to appropriately adjust portfolios, insurers are forced to retain risks that may no longer be actuarially sound.

Over time, this imbalance can have serious consequences. Restricting insurers’ ability to adjust their portfolios may lead to increased financial strain, reduced capacity, and ultimately fewer coverage options for consumers. If an insurer cannot manage their risk concentration in one area of the state, under AB 2038 they may be forced to nonrenew properties outside of

these emergency declaration ZIP Codes. This could result in more properties that are lower risk being driven to the FAIR Plan.

California's property insurance market is already under significant pressure. Measures that further restrict insurers' ability to manage risk will exacerbate existing challenges, ultimately reducing availability and choice for consumers. A healthy insurance market depends on a balanced legislative and regulatory framework that allows insurers to operate responsibly while maintaining the flexibility necessary to remain solvent and competitive."

REGISTERED SUPPORT / OPPOSITION:

Support

California Community Foundation
Consumer Federation of California
Consumer Watchdog
League of California Cities
Rural County Representatives of California (RCRC)

Opposition

American Property Casualty Insurance Association
National Association of Mutual Insurance Companies
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California

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