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AB-567 Insurance: residential and commercial. (2025-2026)

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AMENDED IN ASSEMBLY MARCH 10, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 567

Introduced by Assembly Member DeMaio

February 12, 2025

An act ~~relating to insurance.~~ *to add and repeal Section 2063 of the Insurance Code, and to amend, repeal, and add Section 12221 of the Revenue and Taxation Code, relating to insurance.*

LEGISLATIVE COUNSEL'S DIGEST

AB 567, as amended, DeMaio. ~~Insurance.~~ *Insurance: residential and commercial.*

Existing law establishes the Department of Insurance, headed by the Insurance Commissioner, which regulates insurers and insurance practices. Existing law divides insurance into classes, including, among others, life insurance, fire insurance, and marine insurance. *Under existing law, an insurer is entitled to payment of the premium as soon as the subject matter insured is exposed to the peril insured against.*

~~This bill would state the intent of the Legislature to enact legislation related to reforming the insurance market.~~

This bill would require, upon an appropriation, the state to pay for any annual increase in residential property insurance rates that is above either an annual increase of 7% or the annual national average increase in residential insurance premiums, whichever is lower. The bill would require, by March 31, 2026, the Department of Insurance, in consultation with insurers in the insurance industry, to provide a report to the Legislature on, among other things, how to slash regulations on the insurance market to achieve efficiencies to keep residential property insurance rates at or below the annual national average increase in residential insurance premiums. The bill would repeal these provisions on January 1, 2030.

Existing law imposes a gross premiums tax of 2.35% on all insurers doing business in this state, as set forth in the California Constitution.

This bill would, until January 1, 2030, set the gross premiums tax rate for premiums received for residential property insurance policies at 0% for premiums received on or after January 1, 2026.

Vote: majority Appropriation: no Fiscal Committee: ~~no~~yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *This act shall be known, and may be referred to, as the Cap and Cut Cost of Insurance through Reform Act.*

SEC. 2. *Section 2063 is added to the Insurance Code, to read:*

2063. (a) *Upon an appropriation for the express purpose of this subdivision, until January 1, 2030, the State of California shall pay any annual increase in residential property insurance rates approved by the Insurance Commissioner that is above either of the following, whichever is lower:*

(1) An annual increase of 7 percent.

(2) The annual national average increase in residential insurance premiums.

(b) By March 31, 2026, the Department of Insurance shall provide a report to the Legislature addressing all of the following:

(1) How to slash regulations on the insurance market, in consultation with insurers in the insurance industry, to achieve efficiencies to keep residential property insurance rates at or below the annual national average increase in residential insurance premiums.

(2) How to strategically allocate one billion dollars (\$1,000,000,000) a year for four years, in consultation with insurers in the insurance industry, on fire fuel reduction to lower fire risks in a manner that will decrease insurance rates and restore commercial insurance coverage to areas forced into the FAIR Plan.

(3) How to suspend or reform all regulations, including, but not limited to, regulations authorized pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000)) of the Public Resources Code or imposed by the State Air Resources Board or the California Coastal Commission, that limit or prohibit a property owner from clearing defensible space around their property or would increase the cost of brush management for fire risk reduction purposes.

(4) A report to be submitted pursuant to this subdivision shall be submitted in compliance with Section 9795 of the Government Code.

(c) The Legislature urges the Governor to initiate dialogue with the federal government with regard to a national reinsurance relief program that would involve regulatory reform and a federal "reinsurance bridge financing" program that will be run by the federal government to help insurance companies afford reinsurance.

(d) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

SEC. 3. *Section 12221 of the Revenue and Taxation Code is amended to read:*

12221. (a) *In the case of an insurer not transacting title insurance in this ~~State, state~~, the basis of the tax is, in respect to each year, the amount of gross premiums, less return premiums, received in such year by such insurer upon its business done in this ~~State, state~~. "Gross premiums" do not include premiums received for reinsurance and for ocean marine insurance. Gross premiums of reciprocal or interinsurance exchanges shall be determined as provided in Section 1530 of the Insurance Code. For purposes of the tax imposed by this chapter, "gross premiums" shall be deemed to include home protection contract fees defined in Section 12740 of the Insurance Code. Notwithstanding the rate specified in Section 12202, for annuity policies or contracts that constitute qualified funding assets pursuant to Section 130(d) of Title 26 of the United States Code, the gross premiums tax rate for premiums received for those annuity policies and contracts shall be 0 percent for premiums received on or after January 1, 2023.*

(b) Notwithstanding the rate specified by Section 12202, the gross premiums tax rate for premiums received for residential property insurance policies, as defined in Section 10087 of the Insurance Code, shall be 0 percent for premiums that are received on or after January 1, 2026.

(c) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

SEC. 4. *Section 12221 is added to the Revenue and Taxation Code, to read:*

12221. (a) *In the case of an insurer not transacting title insurance in this state, the basis of the tax is, in respect to each year, the amount of gross premiums, less return premiums, received in such year by such insurer upon its business done in this state. "Gross premiums" do not include premiums received for reinsurance and for ocean marine insurance. Gross premiums of reciprocal or interinsurance exchanges shall be determined as provided in Section 1530 of the Insurance Code. For purposes of the tax imposed by this chapter, "gross premiums" shall be deemed to include home protection contract fees defined in Section*

12740 of the Insurance Code. Notwithstanding the rate specified in Section 12202, for annuity policies or contracts that constitute qualified funding assets pursuant to Section 130(d) of Title 26 of the United States Code, the gross premiums tax rate for premiums received for those annuity policies and contracts shall be 0 percent for premiums received on or after January 1, 2023.

(b) This section shall become operative on January 1, 2030.

~~SECTION 1. It is the intent of the Legislature to enact legislation related to reforming the insurance market.~~