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**SB-365 Fire insurance: reporting on cancellation and nonrenewal.** (2025-2026)

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AMENDED IN SENATE APRIL 21, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

**SENATE BILL**

**NO. 365**

Introduced by Senator Alvarado-Gil

February 13, 2025

An act to amend Section 675.1 of the Insurance Code, relating to insurance.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 365, as amended, Alvarado-Gil. Fire insurance: reporting on cancellation and nonrenewal.

Existing law generally regulates classes of insurance, including residential property insurance. Existing law prohibits an insurer from canceling or refusing to renew a policy of residential property insurance for a property located in a ZIP Code within or adjacent to a fire perimeter for one year after the declaration of a state of emergency, if the cancellation or nonrenewal is based solely on the fact that the insured structure is located in an area in which a wildfire has occurred.

This bill would require the Department of Insurance, on or before January 1, 2027, and on or before each January 1 thereafter, to report specified information to the Legislature on the effect the above-described one-year prohibition against cancellation or nonrenewal has had ~~on cancellations and nonrenewals of policies of residential property insurance~~ in ZIP Codes ~~adjacent to, but not included in, an area where the prohibition applies, as well as for ZIP Codes for which the prohibition has expired.~~ *subject to the prohibition.*

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

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

**SECTION 1.** Section 675.1 of the Insurance Code is amended to read:

**675.1.** (a) In the case of a total loss to the primary insured structure under a policy of residential property insurance subject to Section 675, the following provisions apply:

(1) If reconstruction of the primary insured structure has not been completed by the time of policy renewal, the insurer, prior to or at the time of renewal, and after consultation by the insurer or its representative with the insured as to what limits and

coverages might or might not be needed, shall adjust the limits and coverages, write an additional policy, or attach an endorsement to the policy that reflects the change, if any, in the insured's exposure to loss. The insurer shall adjust the premium charged to reflect any change in coverage.

(2) The insurer shall not cancel coverage while the primary insured structure is being rebuilt, except for the reasons specified in subdivisions (a) to (e), inclusive, of Section 676. The insurer shall not use the fact that the primary insured structure is in damaged condition as a result of the total loss as the sole basis for a decision to cancel the policy pursuant to subdivision (e) of that section.

(3) Except for the reasons specified in subdivisions (a) to (e), inclusive, of Section 676, the insurer shall offer, for at least the next two annual renewal periods, but no less than 24 months of coverage from the date of the loss, to renew the policy in accordance with paragraph (1) if the total loss to the primary insured structure was caused by a disaster, as defined in subdivision (b) of Section 1689.14 of the Civil Code, the loss was not also due to the negligence of the insured, and losses have not occurred subsequent to the disaster-related total loss that relate to physical or risk changes to the insured property that result in the property becoming uninsurable.

(4) With respect to policies of residential earthquake insurance, the California Earthquake Authority, or any insurer, including a participating insurer, as defined in subdivision (i) of Section 10089.5, may defer its initial implementation of this section until no later than October 1, 2005.

(5) With respect to a residential earthquake insurance policy issued by the California Earthquake Authority, the following provisions apply:

(A) The participating insurer that issued the underlying policy of residential property insurance on the primary insured structure shall consult with the insured as to what limits and coverages might or might not be needed as required by paragraph (1).

(B) The California Earthquake Authority, in lieu of meeting the requirements of paragraph (1), shall establish procedures and practices that allow it to reasonably accommodate the needs and interests of consumers in maintaining appropriate earthquake insurance coverage, within the statutory and regulatory limitations on the types of insurance coverages and the coverage limits of the policies that the authority may issue.

(b) (1) An insurer shall not cancel or refuse to renew a policy of residential 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 residential 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.

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

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

(2) If losses unrelated to the postdisaster 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.

(d) (1) On or before January 1, 2027, and on or before each January 1 thereafter, the department shall report to the Legislature on the effect that subdivision (b) has had ~~on cancellations and nonrenewals of policies of residential property insurance~~ in ZIP Codes ~~adjacent to, but not included in, an area subject to subdivision (b), as well as for ZIP Codes for which~~ *subject to* the one-year prohibition against cancellation or nonrenewal in subdivision ~~(b) has expired. The (b).~~ *The report shall include an analysis of whether the imposition of the prohibition has had a measurable impact on the number of residential property insurance policies issued through the California FAIR Plan Association in those ZIP Codes.*

(2) *The* report shall include all of the following:

(A) The number of policies of residential property insurance that were ~~cancelled~~ *canceled* or nonrenewed in ZIP Codes ~~adjacent to, but not included in, an area~~ subject to subdivision (b) during the one-year prohibition against cancellation or

nonrenewal.

~~(B) For a ZIP Code for which the one-year prohibition against cancellation or nonrenewal in subdivision (b) has expired, the number of cancellations and nonrenewals in the calendar year following that expiration.~~

~~(C) The number of cancelled or nonrenewed policies of residential property insurance for which the policyholder secured coverage in the market outside of the California FAIR Plan Association.~~

~~(D) The number of cancelled or nonrenewed policies of residential property insurance for which the policyholder secured coverage through the California FAIR Plan Association.~~

*(B) The number of new policies issued by the California FAIR Plan Association in those ZIP Codes during the one-year prohibition and in the year following the expiration of the prohibition.*

*(C) A comparative assessment of the FAIR Plan policy uptake before, during, and after the prohibition in the relevant ZIP Codes.*

~~(2)~~

*(3)* The report shall be submitted in compliance with Section 9795 of the Government Code.

(e) For the purposes of this section, "policy of residential property insurance" has the meaning described in subdivision (a) of Section 10087.