

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: March 31, 2026

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst Council File No.: 26-0002-S10
Assignment No.: 26-03-0200

SUBJECT: Report on SB 1076 (Pérez – McGuire), amending the Insurance Code

CLA RECOMMENDATION:

ADOPT Resolution (Park - Rodriguez) to include in the City's 2025-2026 State Legislative Program support for SB 1076 (Pérez – McGuire), the *Insurance Coverage for Fire-Safe Homes Act*, which would require insurers of residential property in California to offer insurance coverage equivalent in scope to that it most commonly offers in the State to applicants who meet minimum home hardening and wildfire mitigation standards.

SUMMARY

On February 24, 2026, a Resolution (Park - Rodriguez) was introduced in Council to support SB 1076 (Pérez – McGuire), the Insurance Coverage for Fire-Safe Homes Act. The Resolution states that many survivors of the January 2025 fires are concerned that they could lose home insurance coverage after they rebuild, even if they meet the highest wildfire safety standards, that many other Angelenos and Californians face similar uncertainty about the ability to obtain private insurance coverage, and that the difficulty of obtaining private insurance is evidenced by high levels of enrollment in the insurer of last resort, the California FAIR Plan, which has doubled in two years as hundreds of thousands of homeowners across California have lost their original insurance coverage.

The Resolution further states that SB 1076 (Pérez – McGuire) would require insurers to offer insurance coverage equivalent in scope to that it most commonly offers in the State to applicants who meet minimum home hardening and wildfire mitigation standards, as established by the State Insurance Commissioner. Therefore, the Resolution requests that the City support SB 1076.

BACKGROUND

California policymakers face a challenge in trying to keep home insurance affordable while retaining an adequate number of insurers willing to provide coverage in the State. This challenge is made harder by concerns that climate change is making fires and other disasters more frequent and more damaging.

Homeowners' insurance in California is regulated by an elected insurance commissioner, who must preapprove insurance rate increases. A public process is required for rate increases over 7%. In recent years, insurers have expressed concerns that rates are not high enough to cover their risks

of insuring homes in California as climate change threatens to make major fires and other disasters more frequent.

Increasing use of California’s FAIR Plan indicates that more homeowners are having difficulty obtaining private insurance in California.

Many homeowners in high-fire-risk areas, including many in the Palisades, have had insurers refuse to offer private insurance or renew their private insurance policies.¹ Residents unable to get insurance in the private market can buy fire insurance through the California FAIR Plan. This program fills gaps in the private insurance market, but additional risk and expense for homeowners, since policies are capped at a maximum of \$3 million for residences, may only cover fire and not other risks, and are generally significantly more expensive than private insurance.

Use of the FAIR Plan has been growing significantly, with a 39% increase in the number of policies from September 2024 to September 2025.² The FAIR Plan has requested authorization to raise rates by an average of 35.8%.³ This request is pending before the California Insurance Commission.

Recent efforts to date to encourage insurers to offer private insurance to homes in higher-risk areas have had limited impact. Since the beginning of 2025, insurers in California have been required to offer insurance to homeowners in “fire zones” (identified by zip code) at rates equal to at least 85% of their state market share. In return, insurers are 1) allowed to use forward-looking catastrophe modeling in pricing premiums; 2) include a portion of the cost of reinsurance in premiums; and 3) receive expedited treatment of their rate filings. However, an analysis by *The New York Times* recently found that existing regulations, because the high fire risk areas are defined quite broadly by zip code, still leave significant latitude for insurers to deny insurance to homes located in areas within the identified zip codes that are most vulnerable to wildfires.⁴ In addition, insurers are able to qualify for waivers that allow them to defer compliance with the 85% requirement.

Some incentives already exist to support home hardening against wildfires, but these incentives are not structured in ways that would encourage more private insurance. Private insurers in California are currently required to offer premium discounts to homeowners that implement fire mitigation measures specified by the California Department of Insurance. Similarly, the California FAIR Plan currently offers premium discounts for wildfire hardening measures. There is currently no regulation that requires insurers to offer private insurance to homes that meet specified fire safety standards.

¹ State Farm denied renewal to 1,626 policies in the Palisades in 2024. (Eliza Relman, Allie Kelly, and Madison Hoff, “2 charts show LA neighborhoods hit by wildfires were left exposed by recent insurance rollbacks,” *Business Insider*, Jan. 8, 2025, <https://www.businessinsider.com/los-angeles-la-neighborhoods-fires-pacific-palisades-home-insurance-rollbacks-2025-1>)

² Kenneth Araullo, “FAIR Plan growth fuels debate over California insurance reforms,” Jan. 15, 2026, *Insurance Business*, <https://www.insurancebusinessmag.com/us/news/catastrophe/fair-plan-growth-fuels-debate-over-california-insurance-reforms-562085.aspx>

³ Ibid.

⁴ Jo Becker, Jeremy Singer-Vine, Katie Benner, and Laurel Rosenhall, “California Promised Insurance Relief, but Delivered Loopholes,” Nov. 1, 2025, *New York Times*, <https://www.nytimes.com/2025/11/01/us/los-angeles-california-fire-insurance-regulations.html> .

SB 1076 has the potential to improve the economics of offering private insurance in high-fire-risk areas while reducing the accumulation of risk in the FAIR Plan.

- Insurers often choose to deny insurance to homes in high-risk areas, since they do not believe that the private insurance premiums they can charge are adequate to compensate for taking on the full insurance risk for these homes.
- Homes denied insurance end up on the FAIR Plan. The growth of the FAIR Plan itself creates some additional risk to insurers, who do not profit from FAIR Plan policies, but who are required to provide backstop funding if claims exceed available funds. In the case of the 2025 fires, insurers were required to contribute a total of \$1 billion, although this risk was mitigated by the fact that they were allowed to recoup half of that sum through a surcharge on insurance customers throughout the state.⁵ For each insurer, the share of the assessment is proportional to their overall share of the California insurance market. Insurers could face additional assessments in case of another large catastrophe, and the risk becomes greater the more homeowners are on the FAIR Plan.⁶
- SB 1076 may help better align incentives for insurance companies in terms of managing their exposure to FAIR Plan risks. As it is currently structured, the FAIR Plan creates a potential collective action problem for insurers. Insurers that unilaterally decide to increase the number of homes they insure (for example, by offering insurance to more high risk homes) end up at the same time taking on more of the FAIR Plan risk, since this risk is proportional to their share of the private insurance market. An advantage of SB 1076 is that, since it requires all insurers to comply, it means insurers can expand private insurance without increasing their exposure FAIR Plan risk, since their competitors will also be required to expand private insurance proportional to their market share.
- Potentially, both homeowners and insurers could benefit if home and neighborhood hardening measures required under SB 1076 incentivized homeowners to build in ways that significantly reduced fire risk. The final requirements are not specified in the Act, but would be set by the Insurance Commissioner.

BILL STATUS

2/13/2026	Introduced
2/26/26	Referred to the Senate Committee on Insurance

Louisa Lund

Louisa Lund
Analyst

Attachments: 1. Resolution

⁵ Nam Nguyen (May 1, 2025) “The Shrinking of the CA Private Insurance Market, and the Growing Reliance on the FAIR Plan.” *Stanford CEPP*. <https://cepp.substack.com/p/the-shrinking-of-the-private-insurance>

⁶ The risk is especially high because the 2025 fire payouts left the FAIR Plan’s reserves depleted—below \$400 million as of July 2025. (Nguyen, cited above).

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RULES, ELECTIONS, INTERGOVERNMENTAL RELATIONS

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council; and

WHEREAS, on January 7, 2025, a wildfire and windstorm event unprecedented in scope wreaked destruction across Los Angeles, with the Pacific Palisades, Eaton Canyon, Hurst, and the Hughes Fires burning over 50,000 acres combined throughout the County of Los Angeles and causing loss of life, displaced families and businesses, and tens of billions of dollars in damages; and

WHEREAS, many survivors of the January 2025 fires are concerned that they could lose home insurance coverage after they rebuild, even if they meet the highest wildfire safety standards; and

WHEREAS, many other Angelenos and Californians face similar uncertainty about the ability to obtain home insurance coverage from insurance companies; and

WHEREAS, the difficulty of obtaining such insurance is evidenced by high levels of enrollment in the insurer of last resort, the California FAIR Plan, which has doubled in two years as hundreds of thousands of homeowners across California have lost their original insurance coverage; and

WHEREAS, rebuilding efforts that prioritize fire safety benefit the entire community; and

WHEREAS, existing regulations of California's Department of Insurance prohibit an insurer from using a rating plan that does not take into account and reflect specified wildfire risk mitigation, including property-level building hardening measures; and

WHEREAS, SB 1076 (Pérez – McGuire) would require insurers to offer insurance coverage equivalent in scope to that it most commonly offers in the State to applicants who meet minimum home hardening and wildfire mitigation standards, as established by the State Insurance Commissioner;

NOW, THEREFORE, BE IT RESOLVED, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2025-2026 State Legislative Program SUPPORT for SB 1076 (Pérez – McGuire), which would require insurers of residential property in California to offer insurance coverage equivalent in scope to that it most commonly offers in the State to applicants who meet minimum home hardening and wildfire mitigation standards.

PRESENTED BY: Traci Park
TRACI PARK
Councilmember, 11th District

SECONDED BY: Monica Rodriguez

FEB 24 2025
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