

Date August 7th, 2019

To: The Honorable Susan Rubio, Chair
The Honorable Brian Jones, Vice Chair
Members, Senate Insurance Committee

From: Rex D. Frazier, President
Seren Taylor, Senior Legislative Advocate

Re: AB 1816 (Daly) Insurance

PIFC Position: Support

The Personal Insurance Federation of California (PIFC) is a statewide trade association that represents five of the nation's largest insurance companies (State Farm, Liberty Mutual Insurance, Progressive, Mercury and Nationwide, as well as associate member NAMIC) who write personal line auto and home insurance in California. PIFC supports AB 1816, authored by Assemblymember Tom Daly.

AB 1816 would impose several changes that benefit property insurance policyholders and consumers across the state. Specifically, the bill would:

- Require insurers to provide at least 60-days advance notice to consumers before offering or declining to renew ("nonrenewal") a homeowner's insurance policy.
- Raise the California Insurance Guarantee Association (CIGA) limit on residential property coverage from the current \$500,000 to \$1 million for the dwelling coverage as suggested by the Governor's Strike Force and the Commission on Catastrophic Wildfire Cost and Recovery.
- Expand the designated brush hazard areas around the state for purposes of calculating the "write-out" credit for the California Fair Access to Insurance Requirements (FAIR) Plan.

Last year, to address issues arising from the recent wildfires, the Legislature enacted a number of bills that significantly affected insurance industry underwriting and claims practices. Many of those changes have yet to be fully implemented and their impact has not been entirely realized. Nonetheless, PIFC recognizes that there are still some challenges in the homeowner's insurance market resulting from the increase in wildfire risk that merit additional attention.

AB 1816 increases the notice given to homeowners regarding renewal or nonrenewal of their homeowner's insurance policy from 45 days to 60 days. Because there are already problems with rate inadequacy in California, it is critical that state law does not impair the ability of insurers to use underwriting to manage this rate inadequacy or there will be a crisis in new business. PIFC believes the expanded renewal notice timeframe proposed by this bill strikes a balance that will provide homeowners additional time to find replacement coverage without undermining insurers' ability to appropriately manage risk.



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INSURANCE

PROGRESSIVE

MERCURY

NATIONWIDE

NAMIC

The bill will also increase the limit for a covered claim under CIGA to one million dollars. Because CIGA receives no state funding and is entirely funded by partial recoveries from insolvent insurance estates and, if necessary, involuntary capital contributions from admitted insurers, it is important to recognize the complex issues and potential fiscal impact of increasing the CIGA limit. Overall, PIFC member companies understand, and accept, the necessity of continually improving the functionality of CIGA and support the increase proposed in AB 1816.

Lastly, the FAIR Plan is the residual fire insurance company that was created by the State of California to offer fire insurance coverage to property owners who find themselves without fire insurance through the admitted market. AB 1816 proposes a significant expansion in the scope of available FAIR plan “write-out credits”, which will provide an incentive for admitted insurers to write more property insurance policies in the state’s high risk areas. PIFC member companies strongly believe that the FAIR plan is a highly functional organization and are committed to ensuring that it can continue to serve all communities as the insurer of last resort.

For these reasons, PIFC supports AB 1816 (Daly). If you have any questions regarding PIFC’s position, please contact Seren Taylor at (916) 442-6646.

cc: Assemblymember Tom Daly, Author
Hugh Slayden, Principal Consultant, Senate Insurance Committee
Tim Conaghan, Consultant, Senate Republican Caucus
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor
Michael Martinez, Senior Deputy Commissioner and Legislative Director, California Department of Insurance