Date: April 14th, 2020

To: Honorable Tom Daly, Chair
Honorable Chad Mayes, Vice Chair
Members, Assembly Insurance Committee

Re: AB 2436 (Bloom) Residential Property Insurance

Position: Oppose

******Please be advised that this measure will negatively impact the affordability and availability of homeowners insurance in California******

The insurance trade associations listed on this letter represent a large and diverse group of California domestic and national insurance companies that serve the vast majority of California's homeowners.

AB 2436 requires a residential property insurance policy to include building code upgrade coverage of no less than 15% of the dwelling coverage policy limits. It also requires that building code upgrade coverage be based on the increased costs associated with building ordinances and laws at the time of rebuilding, and not at the time of the loss.

Although we oddly find ourselves in the position of arguing against a state requirement that people buy more of our product, we must respectfully oppose this measure because it is one of several bills that, individually and collectively, will increase the cost of homeowners insurance for Californians at a time they can least afford it.

Specifically, by increasing the minimum level of building code upgrade coverage a consumer must purchase, and requiring insurers to base the coverage on the increased costs at time of rebuilding, this measure will drive up homeowners insurance costs for struggling Californians.

Not only does this bill take away lower cost insurance options for homeowners, it places an unreasonable burden on insurers to predict future state and local government building code changes. Further, we are concerned that absent clear direction to the California Department of Insurance (CDI) to approve adequate rates that reflect the new risks and costs, this bill may exacerbate the homeowners insurance availability challenges in high fire-risk areas of the state.

Under existing CDI rules, insurance premiums are largely determined by past losses and loss related expenses. The 2017 and 2018 wildfires resulted in over $26 billion of losses for California home insurers. In fact, Moody's Investors Service recently reported that "*Despite California's history of moderate loss ratios compared with hurricane-exposed states, wildfire losses drove California homeowners insurance loss ratios to the highest in the nation in 2017-18."* These historic losses have put tremendous upward pressure on the prices charged to homeowners, and have forced many insurers to protect their own solvency (and ability to pay claims in the event of another disaster) by limiting the amount of insurance they sell in high fire-risk areas of the state.

Because this measure will negatively impact the availability and affordability of homeowners insurance, the undersigned trade associations oppose AB 2436**.**

If you have any questions regarding our position, please contact Seren Taylor (PIFC) at (916) 346-9427.

Sincerely,

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

cc: Assemblymember Richard Bloom, Author
Mark Rakich, Chief Consultant, Assembly Insurance Committee
Bill Lewis, Consultant, Assembly Republican Caucus
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor
Melissa Gear, Chief Deputy Legislative Director, California Department of Insurance