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NAMIC

CHUBB

CONNECT
by American Family

Date: April 30th, 2020

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

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

Re: AB 3012 (Wood) Residential Property Insurance
(As Proposed to Be Amended)

PIFC Position: *Oppose*

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

The Personal Insurance Federation of California (PIFC) is a statewide trade association that represents six of the nation's largest property and casualty insurance companies (State Farm, Liberty Mutual Insurance, Progressive, Mercury, Nationwide and Farmers as well as associate members NAMIC, Chubb, and American Family Connect Property and Casualty Insurance) who collectively write a majority of personal lines home and auto insurance in California.

Although not yet in print, it is our understanding that recent proposed amendments to AB 3012 would:

- 1) In the event of a covered loss, require an insurer to pay at least 30 percent of the dwelling structure policy limit for coverage of contents, without requiring the insured to file an itemized claim.
- 2) Expand the circumstances that require payment of additional living expenses (ALE) for up to 3 years.
- 3) In the event of a covered loss, require insurers to pay for the purchase of new land when a policyholder wishes to move or rebuild in a new location.
- 4) Require insurers to send an additional notice to homeowners that provides information on how they can access the FAIR plan when they cannot find regular insurance.
- 5) Require the FAIR plan to establish a clearinghouse program intended to help reduce the number of FAIR plan policies, and to encourage maximum use of the normal insurance market.

Unfortunately, PIFC 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. While the provisions that establish a new FAIR plan clearinghouse and add a notice that provides consumers more information on how to access the FAIR plan are supportable, they are not sufficient to overcome the negative aspects of this bill.

Specifically, by significantly expanding the circumstances under which ALE payments may be necessary, and reducing the level of scrutiny for contents claims, this measure

will drive up insurance costs for Californians. Further, we are concerned that absent clear direction to the Department of Insurance (CDI) to approve adequate rates that reflect the new costs imposed by the bill, it may also exacerbate the homeowners insurance availability challenges in high fire-risk areas of the state.

Under existing CDI rules, insurance premiums (pure 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 financial losses place tremendous upward pressure on the price of homeowners insurance, and have forced many insurers to safeguard their solvency (and their 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, PIFC opposes AB 3012. If you have any questions regarding our position, please contact Seren Taylor at (916) 442-6646.

cc: Assemblymember Jim Wood, 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