

FLOOR ALERT

Date: June 5th, 2020
To: Members, California State Assembly
From: Rex D. Frazier, President
Seren Taylor, Senior Legislative Advocate
Deanna Jarquin, Legislative Advocate
Re: AB 3012 (Wood) Residential Property Insurance



Members:

STATE FARM

LIBERTY MUTUAL

PROGRESSIVE

MERCURY

NATIONWIDE

FARMERS

Associate Members:

NAMIC

CHUBB

CONNECT
by American Family

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.

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.

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.

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.

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.

If you have any questions regarding our position, please contact Seren Taylor at (916) 442-6646.

cc: Assemblymember Jim Wood, Author
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor
Melissa Gear, Chief Deputy Legislative Director, California Department of Insurance