

UPDATED

April 9, 2013

To: The Honorable Wesley Chesbro, Chair
The Honorable Shannon L. Grove, Vice Chair
Members, Assembly Natural Resources Committee

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Kara Cross, General Counsel
Manolo P. Platin, Legislative Advocate

Re: AB 468 (Chesbro) Insurance: Disaster Management, Preparedness, and Assistance Surcharge
As Amended April 8, 2013

Assembly Natural Resources Committee Hearing, April 15, 2013
PIFC Position: Oppose

The Personal Insurance Federation of California, representing six of the nation's largest insurance companies (State Farm, Farmers, Liberty Mutual Insurance, Progressive, Allstate and Mercury) who collectively write a majority of the personal line auto and home insurance in California, regrettably must **oppose AB 468: Insurance: Disaster Management, Preparedness, and Assistance Surcharge by Assemblymember Chesbro.**

A top priority of state government should be to ensure the safety of the lives of its citizens. Wildfires continue to pose a significant threat to Californians living in wildland areas and we support adequate funding for CalFire's response programs in areas that fall outside local government fire jurisdictions. However, AB 468 would attempt to address wildfire response with a flawed approach.

AB 468 would repeal an existing, targeted fire prevention fee and, instead, subject all insured California homeowners and businesses to a 4.8% surcharge to pay for the State's fire response activities. Simply having insurance should not be a trigger for whether someone pays for fire protection. There are many homeowners who have paid off their homes and go without insurance. Why target only insured home and business owners, particularly those in urban areas who have no exposure to wildfire risk?

Requiring insurers to collect money for public programs would be a dramatic policy shift for California. Under AB 468, insurers would collect money from both businesses and individuals and then remit the money to the Office of Emergency Services. It is appropriate for the Legislature to consider whether to impose a statewide tax to fund fire response services; but, asking insurers to collect money for a state function is another matter.

Further, PIFC strongly believes that this measure would violate Proposition 26, which requires the Legislature to obtain a 2/3s supermajority vote to pass new taxes. AB 468 is currently keyed as a majority vote measure, but should be keyed for a 2/3s vote. This issue resembles a matter from early 2012 where the Legislative Analyst's Office determined that a "fee" applied to an insurance policy to pay for the state's Seismic Safety Commission would be unconstitutional under the provisions of Proposition 26. AB 468 would enact a similar "surcharge," which must be done by a 2/3s vote under Proposition 26.

For these reasons, PIFC **opposes AB 468: Insurance: Disaster Management, Preparedness, and Assistance Surcharge by Assemblymember Chesbro and urges your "nay" vote.** If you have any questions regarding PIFC's position, please contact Manolo P. Platin at (916) 442-6646.

cc: Assemblymember Wesley Chesbro, Author
Elizabeth MacMillan, Chief Consultant, Assembly Natural Resources
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Gareth Elliot, Secretary of Legislative Affairs, Office of the Governor



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