



**Date:** July 29<sup>th</sup>, 2020

**To:** Honorable Adam Gray, Chair  
Honorable Frank Bigelow, Vice Chair  
Members, Assembly Governmental Organization Committee

**Re:** SB 1199 (McGuire): Residential Property Insurance

**Position: Oppose Unless Amended**

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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.

We greatly appreciate the recent amendments (*July 27, 2020*), which address some of the most problematic aspects of SB 1199 for insurers. However, even with the amendments, we remain extremely concerned that the Commission on Home Hardening provisions are flawed.

Given that the underlying goal of this bill is to have the Commission's certifications applied to insurer underwriting and rates, it is important that the new community wildfire hardening standards be based on the best available science rather than minimum building codes.

SB 1199 puts the proverbial "cart before the horse" by presuming the output of the Commission before it has done any work. The tiered rating structure and the stringency limitations imposed by this bill undermine the policy goal of establishing a commission that will look to the best available science to determine the best way for homeowners to reduce risk and loss due to wildfire.

The bill provides that (8899.82. (b)(2)): "*requirements for Type I structures shall not exceed the stringency of those measures required for new homes by the California Building Code, Materials and Construction Methods for Exterior Wildfire Exposure (Chapter 7A (commencing with Section 701A.1) of Part 2 of Title 24 of the California Code of Regulations). The measures for Type II structures shall be a subset of the features required for Type I structures.*" **These limitations do not make sense given that the (Chapter 7A) building codes reflect the minimum standards, not the superior standards.**

From a technical perspective, there is no definition of "basic fire prevention" for purposes of a Type III structure, and given that every structure in the Wildland Urban Interface (WUI) should at least be "ember resistant" (Type II), it is unclear why such a substandard designation should exist. Further, since the Chapter 7A building standards are based upon "ignition resistance" not "flame and radiant heat resistance", as proposed for a Type I structure, **it seems that the stringency limit actually prohibits the Commission from establishing a Type I standard as required by the bill.**

We believe there are opportunities to improve the current California Building Code regarding construction standards in wildfire prone areas. In the Camp fire (Paradise, CA) about 50% of the homes built to the wildfire code survived. While the survival rate was better than those not built to the current code, **50% is still a very high failure rate.** Creating a high water mark that is insufficient from the start seems to guarantee that more meaningful mitigation will not be performed.

In addition, it is important to note that the focus of the Commission is home hardening with little mention of vegetation management and defensible space. Both home hardening and defensible space are equally important, and both are needed to improve survival chances for the structure. If the Commission fails to require both adequate vegetation management and home hardening, the mitigation measures established will likely have little value. **There would almost certainly be no actuarial basis for insurers to consider the certifications for underwriting or rate purposes.**

Lastly, the provisions requiring the Commission to recommended mitigation discounts for insurers is inappropriate. Mitigation related discounts must be based upon data and experience, and can only be considered in the context of actuarially sound rates. Therefore, it is premature to propose discounts prior to implementation of the mitigation measures. Further, the Commission does not include members with expertise in actuarial science and rate setting. Insurance rate filings are complex and must include full rate support for any changes in rates, rating factors, rating and underwriting guidelines, and are subject to prior approval by the Department of Insurance. This Commission is clearly not the proper venue for developing discount recommendations.

To be clear, we believe there is substantial merit to the concept of a Commission on Home Hardening. However, the Commission should be free to explore these issues unconstrained by current building codes, and without a pre-determined tiered structure. Once the appropriate experts have concluded their work, they should publicly report their findings for consideration to the affected communities, the Legislature, and other key stakeholders.

For these reasons, the undersigned trade associations oppose SB 1199 unless it is amended to delete the stringency limitations, unworkable tiered structure, and inappropriate rate discount recommendations. Instead, we request the bill direct the Commission to base any recommendations on a rigorous review of the best available science, including both home hardening and vegetation management/defensible space.

Sincerely,

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

cc: Senator Mike McGuire, Author  
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