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PERSONAL INSURANCE FEDERATION  
OF CALIFORNIA



April 17, 2018

To: Honorable Steven Glazer, Chair  
Senate Insurance Committee

Re: SB 824 (Lara): Insurance: Nonrenewal  
As Introduced, April 16, 2018  
**Oppose Unless Amended**

The above listed associations (The “Trades”), representing the vast majority of the homeowners’ insurance market share in California, must respectfully **oppose SB 824 (Lara)**, as amended April 16, 2018 unless it is amended to address concerns discussed further below.

We have been engaged in productive discussions with the author’s office and appreciate the dialogue on the bill. However, we are opposed to the recently submitted amendments that would still limit an insurer’s ability to non-renew, and require information to be sent to the Commissioner when an insurer makes responsible adjustments to its book of business in a county that has experienced a declared disaster. The trades remain very open to the proposed concept of authorizing a data call that would provide the CDI and other interested parties with information that could help show how the marketplace is functioning. We sincerely appreciate the author suggesting this as a potential pathway for agreement and endorse the bill moving forward with only the data call language, with the understanding that we will work together on further amendments on the specifics of a data call.

The 2017 wildfires constitute one of the greatest natural disasters in California history, with some \$12 billion of insured losses according to the California Department of Insurance, in addition to the tragic loss of life they caused. Disasters of this magnitude invariably bring up concern over availability of insurance. But, homeowners insurance is available. SB 824 attempts to address an issue that is not born out by the statistics, and in a manner we believe will do more harm than good.

#### Harm to the Insurance Market – Restricting Underwriting

SB 824 would significantly limit insurers from managing their risk appropriately, by reducing their ability to consider loss history to evaluate and re-underwrite homeowners policies. Though less restrictive than the original bill, the language still prevents an insurer from considering a catastrophic event in its underwriting or premium for any property in a county where a state of emergency has occurred. Insurers cannot simply ignore significant events. And where one insurer may be over-exposed to a risk or rate inadequate in a certain area, thus necessitating nonrenewals, other insurers are available to build new relationships with new policyholders. Homeowners are able to find insurance, through a variety of mechanisms when shopping around. The marketplace is working, as evidenced by no significant growth in the FAIR Plan, which is always available to homeowners. The trades are also open to discussions measures to help policyholders in shopping around.

Current law provides a variety of protections for homeowners who are rebuilding their homes, following a disaster. However, insurers should still be permitted to continue to underwrite in a responsible manner within these counties. Insurers must be responsible to all of their insureds, and, thus, manage their book of business appropriately.

#### Reporting Requirements

The bill would also require insurers, following a disaster, to submit any plan to reduce policies in force within the zip code, by 20 percent or more, to file a detailed plan with the Insurance Commissioner prior to implementing such plan. The trades are concerned that although it is unclear the extent of the apparent increase in authority given the Commissioner, it will likely result in some new oversight function. Given that insurers in California already operate under the strictest price controls in the nation, this is of concern, as maintaining underwriting flexibility is all the more critical to insurers ability to continue offering and servicing policies in this state. Furthermore, there is no evidence that widespread insurer-initiated nonrenewals are a problem. Even if the rate of nonrenewals were to increase, the state has already created a safety-valve mechanism in the form of the FAIR Plan, which ensures that homeowners insurance is always available in California.

Unfortunately, we have concerns that some of the provisions remaining in SB 824 would still severely damage a functioning insurance system. In attempting to increase availability of homeowners insurance, it would actually do the opposite, as it will deter insurers from providing insurance if they must chance future underwriting restrictions. There are many causes of increasing wildfire risk in California that the Legislature is looking to address including measures around climate change, drought with bark beetle infestation, the need for better manage excess fuel load in the forests, and continued development further into high risk areas. Insurers should be allowed to give the public accurate market signals about the risks posed by wildfire-prone areas, not forced to suppress them and make Californians in low-risk areas subsidize this cost.

For the above reasons, the Trades must **oppose SB 824 unless it is amended to authorize a related data call**

Should you have any questions, please contact Kara Cross, Personal Insurance Federation of California ([916-442-6646](tel:916-442-6646)/[kcross@pifc.org](mailto:kcross@pifc.org)); Armand Feliciano, Property and Casualty Insurers Association of America ([916-440-1117](tel:916-440-1117)/[armand.feliciano@pciaa.net](mailto:armand.feliciano@pciaa.net)); Katherine Pettibone, American Insurance Association ([916-873-3677](tel:916-873-3677)/[kpettibone@aiadc.org](mailto:kpettibone@aiadc.org)); Shari McHugh, Pacific Association of Domestic Insurance Companies ([916-930-1993](tel:916-930-1993)/[smchugh@mchughgr.com](mailto:smchugh@mchughgr.com)); or Christian Rataj, National Association of Mutual Insurance Companies ([303-907-0587](tel:303-907-0587)/[crataj@namic.org](mailto:crataj@namic.org))

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