FLOOR ALERT

Date: June 5th, 2020

To: Members, California State Senate

Re: SB 872 (Dodd) Property Insurance

Position: Oppose

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

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.

Major provisions of SB 872 would:

1) 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. This would apply to residential and commercial policies.
2) Expand both the kinds of expenses that must be reimbursed, and the conditions that require payment of additional living expenses (ALE) for up to 3 years.
3) In the event of a covered loss, require an insurer to make an advance payment of at least four months of living expenses or fair rental value, and make an advance payment of at least 25 percent of the policy limit for contents without the completion of an inventory.
4) Require insurers to grant a 60-day grace period for payment of premiums for insurance policies covering a property located within an area defined as part of a state of emergency.

Unfortunately, we 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.

Specifically, by significantly expanding the kinds of expenses that must be reimbursed and the circumstances under which extended ALE payments will be required, while simultaneously 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 California Department of Insurance (CDI) to approve adequate rates that reflect the new costs imposed by this bill, it may exacerbate the homeowners' insurance availability challenges in high fire-risk areas of the state.

Under existing CDI rules, insurance 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, the undersigned trade associations oppose SB 872**.** If you have any questions regarding our position, please contact Seren Taylor (PIFC) at (916) 346-9427.

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 Bill Dodd, Author
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor
Melissa Gear, Chief Deputy Legislative Director, California Department of Insurance