



Date: March 22, 2021

To: Honorable Tom Daly, Chair
Honorable Chad Mayes, Vice Chair
Members, Assembly Insurance Committee

Re: AB 1439 & AB 1522 (Levine) Residential Property Insurance

Position: Oppose

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 regretfully must oppose AB 1439 and AB 1522 by Assemblymember Levine.

AB 1439 would require an insurer for any homeowners insurance policy issued or renewed to include a discount if a local government of the jurisdiction where the insured property is located funds a local wildfire protection or mitigation program.

One obvious concern regarding AB 1439 is that it requires a credit when, after incurring \$30 billion of losses over the past four years, many California insurers are struggling to achieve a level of rate adequacy that will allow them to write new business - let alone provide a discount. Further, wildfire mitigation is still a new science, and while we are starting to understand the steps that homeowners must take to protect their property, the data is not yet adequate to quantify the actuarial value of the mitigation. Further, we are still learning what mitigation should be done on a community and regional basis. Similar programs like Wildfire Partners in Boulder, Colorado encourage, rather than require, insurers to write in the community and do not require discounts. Rates must reflect risk and until rates are adequate, mandating discounts as proposed by AB 1439 would create instability and undermine California's already fragile homeowners' insurance market.

AB 1522 would prohibit an insurer from cancelling or refusing to renew any homeowner or commercial policy solely based on the fact that the property is located in a high-risk wildfire area. However, this measure fails to recognize the fact that insurers may need to cancel policies in high-risk wildfire areas to meet reinsurance or capacity issues, which left unaddressed could drive them to insolvency. In addition, the current policy at the California Department of Insurance to freeze many commercial rate filings, including commercial multi-peril policies, creates challenges for insurers who may want write these policies but cannot because the rates are inadequate to reflect the changing risk.

Insurance coverage mandates, such as the one proposed by AB 1522, threaten insurance availability for all Californians. History has demonstrated that, when states try to force companies to sell insurance with uncontrollable risk, it ends badly for everyone. In California, after the 1994 Northridge earthquake, insurers were required to offer earthquake insurance despite concerns that they would not have enough money to pay claims if another big earthquake hit. As a result, by January of 1995, companies representing 93 percent of the California homeowners' insurance market had either restricted or stopped writing homeowners' policies, sending the California housing market into a tailspin. Further, this bill would eliminate an insurer's ability to manage risk. The combination of

inadequate rates and unmanageable risk would present significant solvency issues for California insurers.

The undersigned trade associations oppose both AB 1439 and AB 1522 because they would impose **immense risks that threaten the ability of homeowner's insurers to continue to function in California.**

Sincerely,

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

cc: Assemblymember Marc Levine, Author
Kathleen O'Malley, Chief Consultant, Assembly Insurance Committee
Bill Lewis, Consultant, Assembly Republican Caucus
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor
Michael Martinez, Senior Deputy Commissioner and Legislative Director,
California Department of Insurance