



Date: March 17, 2023

To: Honorable Lisa Calderon, Chair
Honorable Bill Essayli, Vice Chair
Members, Assembly Insurance Committee

From: Rex D. Frazier, President
Seren Taylor, Vice President
Allison Adey, Legislative Advocate

Re: AB 970 (Rivas, Luz): Insurance: Climate and Sustainability Insurance and Risk Reduction Program.

PIFC Position: Support

The Personal Insurance Federation of California (PIFC) is a statewide trade association that represents nine of the nation's largest property and casualty insurance companies. These companies include State Farm, Farmers, Liberty Mutual Insurance, Progressive, Mercury, Nationwide, Allstate, CONNECT by American Family Insurance and Kemper as well as associate members CHUBB, NAMIC, and Interinsurance Exchange of the Automobile Club (Automobile Club of Southern California). Collectively, these insurance companies write the majority of personal lines auto and home insurance in California.

PIFC is pleased to support AB 970, a measure that would require the California Department of Insurance (CDI) to establish the Climate and Sustainability Insurance and Risk Reduction Program.

This bill would establish six climate insurance pilot projects to reduce physical risks from flooding and extreme heat and to reduce the protection gap in communities with high risks and low insurance uptake. The local jurisdictions would be required to develop pilot projects in consultation with CDI to achieve particular objectives, including prioritizing pre-disaster mitigation activities. It also requires CDI to establish a competitive grant program to support the design and funding of scalable projects that address climate risks and expand insurance options.

Of the 20 most destructive wildfires in California's recorded history, 13 have occurred since 2017 - destroying nearly 40,000 structures, taking 148 lives, and charring millions of acres. In particular, the 2017 and 2018 wildfire seasons were the most costly in California history. Insurers lost over \$20 billion, which wiped out two times their combined underwriting profits for the prior 26 years.

Several factors have led to the increase in severe wildfire events over the past few years. Climate change along with population shifts toward the wildland-urban interface (WUI) have intensified the impacts of wildfires. Fortunately, more focus is being placed on ways people can prevent or mitigate damage to their homes, and significant new funding has been appropriated in recent state budgets to increase wildfire resilience.

Members:

STATE FARM

LIBERTY MUTUAL

PROGRESSIVE

MERCURY

NATIONWIDE

FARMERS

ALLSTATE

CONNECT
by American Family

KEMPER

Associate Members:

NAMIC

CHUBB

INTERINSURANCE EXCHANGE
OF THE AUTOMOBILE CLUB
(Automobile Club of
Southern California)

AB 970 would encourage additional investments in natural infrastructure like wetlands, urban greening, and ecological forest strategies that can reduce damage to health and structures. Wetlands, for example, can buffer floodwaters to reduce flooding, dunes can absorb storm surges, and green spaces in cities can reduce urban heat islands. Prescribed burn programs and other proactive ecological management of forests can better protect forested communities against the long-term threat of high-severity wildfire.

The potential for avoided future losses from the AB 970 risk reduction pilot projects are important for public safety and can provide tangible economic benefits, including reduced insurance costs for households and businesses. For this reason, PIFC supports AB 970. If you have any questions regarding PIFC's position, please contact Seren Taylor at (916) 346-9427 or (staylor@pifc.org).

Cc:

Assemblymember Luz Rivas, Author
Kathleen O'Malley, Chief Consultant, Assembly Insurance Committee
Bill Lewis, Consultant, Assembly Republican Caucus
Hazel Miranda, Deputy Legislative Secretary, Office of the Governor
Michael Martinez, Senior Deputy Commissioner and Legislative Director, California Department of Insurance