

March 6, 2020

Assemblymember Lorena Gonzalez
Assemblymember Monique Limón
VIA EMAIL
Sacramento, CA 94249

Our Mission

*United Policyholders
is a non-profit 501(c)(3)
organization whose mission
is to be a trustworthy and
useful information resource
and an effective voice for
consumers of all types of
insurance in all 50 states.*

Programs

*Advocacy and Action
Roadmap to Preparedness
Roadmap to Recovery™*

Re: AB 2367 – STRONGLY SUPPORT

Dear Assemblymember Gonzalez and Assemblymember Limón:

We write in support of the above-referenced bill on behalf of our organization and the insurance consumers we serve and represent. AB 2367 will facilitate wildfire risk reduction and help restore a competitive home insurance marketplace in the Golden State.

Starting in 2016 when a tree mortality crisis morphed into a home insurance availability and affordability crisis in parts of the state, United Policyholders and our partners have been working to implement solutions. Allowing insurers to implement extreme rate increases is not going to fix the problem. And while the California Fair Plan is an important last resort option, it is also not the solution. Fair Plan policies don't cover wind, water or liability losses.

The most promising long-range solution is for California to follow the lead of hurricane-prone states by establishing officially sanctioned risk reduction standards, an inspection and certification program and an insurance reward system for those who obtain certification. We refer to it as "WRAPP" (Wildfire Risk Reduction and Asset Protection Project). As the state with the biggest wildfire risk exposure, it's logical that California should establish the nation's first wildfire mitigation support and reward program.

AB 2367 will move the ball down the field toward the end zone. Legislative action is essential. Legislatures in hurricane-prone states have had to mandate insurance rewards to those who invest in home hardening and risk reduction when it became clear, as it is in California, that they will not voluntarily do so.¹

The combined effects of risk scoring models, increasingly severe wildfires and drought conditions associated with climate change have spooked insurers and reinsurers and created a dire situation for property owners in many regions throughout the state.

Well over a quarter of a million homeowners were dropped by their insurers last year and most could not find affordable replacement coverage outside the Fair Plan. Agents and brokers see the current market as “the worst in 36 years” and the new numbers set to be released later this spring portend many more non-renewals. Traditional home insurance has become unavailable and unaffordable to far too many Californians.

Thank you for your leadership in standing with Commissioner Lara and the many stakeholders who share our goals. We must engage California property owners in being pro-active in creating defensible space and making their homes less likely to be damaged or destroyed in a wildfire. To do so, we must give them assurance that if they do, they can continue to protect their assets by accessing home insurance to protect the valuable asset they invested in fortifying.

This bill does not contemplate that insurers will be forced to operate at a loss. It simply seeks to address the root causes of the home insurance affordability and availability crisis that is harming property owners, real estate transactions and local governments. Homeowners in WUI areas are already paying higher rates commensurate with their risk exposure. Insurers have swamped the California Department of Insurance with rate increase requests, most of which are being approved. What we need is a counter-balance - if a home is hardened and risk is reduced, the policyholder deserves a break.

United Policyholders (“UP”) is a non-profit 501(c)(3) organization that informs, helps, and speaks for insurance consumers in California and across the nation. UP is funded by donations and grants and is supported by volunteer labor. UP does not sell insurance or accept funding from insurance companies. At www.uphelp.org, UP offers a variety of resources and tools for handling the claim process. UP has been advocating for California insureds, including wildfire survivors, since the 1991 Oakland-Berkeley Firestorm. UP has devoted significant time and resources over the past few years to coordinate with local and state officials, FireSafe Councils and firefighting professionals to implement what AB 2367 seeks to accomplish.

Thank you for your time and consideration on this important matter.

Sincerely,



Amy Bach,
Executive Director

cc: California Assembly Insurance Committee Chair, Members and staff
Honorable Ricardo Lara, California Insurance Commissioner

¹ See joint presentation by United Policyholders and the South Carolina and Alabama Departments of Insurance before the National Association of Insurance Commissioners, 2017
https://uphelp.org/sites/default/files/attachments/naic_c_committee_mitigation_ppt_8-17.pdf