



June 11, 2020

Honorable Toni Atkins
Senate Pro Tempore
State Capitol
Sacramento, CA 95814

Re: Homeowners In San Diego Need Your Help

Dear Senator Atkins:

Homeowners in the fire-torn areas of San Diego need your support. Insurance companies are attempting to enact an illegal measure that will allow the companies to evade the scrutiny of the elected Insurance Commissioner, in violation of voter-approved Prop 103, and allow them to unreasonably raise rates on homeowners insurance – by hundreds of dollars each year.

Under Proposition 103, insurance companies receive every justifiable rate increase they request in a timely manner. The Insurance Commissioner has not denied a single rate increase since the increase in climate-change induced wildfires. What the insurance industry wants however, is to go back to their “good old days” prior to Proposition 103, when they could raise rates without any regulation or restrictions. San Diego homeowners will not fare well if AB 2167 becomes law.

AB 2167 proposes to *override of Proposition 103’s statutory protections* against excessive and unnecessary rate increases. AB 2167 would free insurance companies to *raise homeowners’ and renters’ insurance rates* as much as they want for all Californians – at a time when they can least afford it.

AB 2167 explicitly overrides the regulation of rates mandated by the voters:

- Proposed Section 10109.1 creates a new system to replace the one enacted by the voters (Insurance Code section 1861.05). Section 10109.1 authorizes an insurance company to submit an “Insurance Market Action Plan” that allows the company to seek “adequate rates” and contains a plan to “maintain the insurer’s solvency.” What do these terms mean? Section 10109.3 states that rates must be “actuarially sound”: this is industry jargon for deregulation, since it would allow insurance company actuaries to substitute their judgment for the Insurance Commissioner’s. That is how California insurance law was interpreted prior to the passage of Proposition 103.
- Proposed section 10109.5 (a)(1) mandates an entirely different formula for setting rates than the one that applies under Proposition 103. Sections 10109.5 (a)(2) and 10109.6 would allow insurance companies to pass through to consumers the costs of the reinsurance they buy. The Proposition 103 system does not allow insurance companies to do so, because the rates charged by reinsurance companies are not regulated, and in fact many reinsurance companies are subsidiaries of the companies they insure. This alone would trigger major rate increases.

- AB 2167 requires rates to be approved even if the rate violates other provisions of Proposition 103. (Compare proposed Section 10109.3 with Section 1861.05, which bars rates “otherwise in violation of” Proposition 103.) Indeed, the bill explicitly requires the Commissioner to set aside any “contested issue” – discriminatory practices such as redlining or even race-based refusals to sell or renew insurance coverage – “other than a rate calculation.” Nothing in the bill requires an insurance company to comply with its “commitments” to sell or renew coverage under the bill, if it doesn’t agree with the Commissioner (Section 10109.7).

- Proposition 103 already gives the Commissioner the authority to create an IMAP (Section 1861.11), subject to Proposition 103’s bar on price-gouging. Proposed section 10109.5 requires the Commissioner to give these new IMAP applications “expedited review.” Instead of a 180-day review process, AB 2167 would require the Commissioner to fast-track review within 120 days.

In short, AB 2167 would remove Proposition 103’s protections against unjustified rates and insurance company profiteering. And AB 2167 limits the Commissioner’s ability to prevent insurance companies from engaging in exactly the kind of underwriting and other insurance company abuses that are plaguing Californian homeowners.

What does this bill mean for San Diego?

Massive rate hikes for homeowners insurance. As one of the hardest hit areas in the state, San Diego will pay dearly for this bill.

This position is confirmed by the Insurance Commissioner, who in his opposition letter to AB 2167 states, “this bill would undoubtedly increase consumer rates.” The Commissioner also states that AB 2167 “does not further the purposes of Proposition 103, but would instead weaken or remove already established ratemaking processes and procedures that have been in place for more than 30 years to protect consumers from excessive, inadequate, and unfairly discriminatory insurance rates.” Under California’s Constitution, Proposition 103 cannot be amended by the Legislature unless the amendment furthers its purposes.

We ask you to stand up for San Diego’s homeowners and oppose AB 2167. We would like to schedule a call with you ASAP to discuss the matter.

At this time, the Senate’s focus should be on Californians struggling to survive the severe economic threat they are facing. The insurance industry has contributed \$66.5 million over the last decade to Sacramento politics. This is a moment for you to stand up to that industry and say No on behalf of San Diego and its homeowners and renters.

Sincerely,



Jamie Court

Harvey Rosenfield

Carmen Balber