

August 14, 2020

Ms. Lisa Murawski
Principal Consultant
Assembly Appropriations Committee
VIA EMAIL/POSITION LETTER PORTAL

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: SB 292 – Oppose

Dear Ms. Murawski and Assembly Appropriations Committee:

We write to respectfully re-register our strong opposition to SB 292 - the companion measure to AB 2167. We can and must find a way to restore affordable and available home insurance options in California without giving insurers more freedom to continue to cherry pick risks in WUI areas, use unproven catastrophe rate models, pass along even more costs to their customers, and charge higher rates with less oversight.

The “more” in Governor Newsom’s 2019 “we must do more” signing message on AB 1816 **must** include establishing the statewide wildfire risk reduction standard and insurance reward program that’s desperately needed. A program that will accomplish our shared goal of incentivizing households to reduce their risk, which is a long-term way to help restore availability by increasing insurer willingness to insure homes and competition generally. With recent amendments, SB292 does nothing to advance that critical goal.

SB 292 and AB 2167 and are virtually guaranteed to substantially drive up the cost of home insurance throughout the state, (and even higher in WUI areas) with very few assurances of increased availability. The IMAP plan as designed by the bill’s supporters is not fully baked and seems destined to complicate and worsen, not improve the situation.

California homeowners are already being hit with annual premiums that are triple and more over what they had been paying, according to the results of a United Policyholders survey that has been underway since early 2019. 87% of survey respondents said the cost of their home insurance has increased. For some, annual premiums have jumped to as high as \$10k.¹ Triple and quadruple

¹ See

https://www.uphelp.org/sites/default/files/attachments/q9_california_home_insurance_availability_survey_8.3.20_1.pdf

annual premium increases are the reported norm with more to come as CDI approves the flood of requests coming in from insurers.

Allowing insurers to circumvent the current prior approval process, get full credit for their reinsurance purchases and overcome the Insurance Commissioner's prohibition on using catastrophe models in setting rates gives them what they *want*, not what our communities *need*.

Given the economic impact higher rates have on homeowners and real estate transactions, especially in the WUI, rural and suburban areas, these concessions are not warranted, especially without the critical component of mitigation standards and insurance rewards to those who meet them.

Progress is already being made, and more balanced alternatives exist, to accomplish our shared objectives of reducing wildfire risk and stimulating competition in the home insurance marketplace without undermining our state regulator, harming consumers, and unnecessarily spending state funds:

- Chairman Daly's A.B. 1816, signed into law in late 2019, provided write-out credits to incentivize insurers to sell policies to homeowners currently insured through the California Fair Plan. Let's give that bill a chance to work before we implement an unproven and complex IMAP with a financial impact.
- Form a stakeholder and expert working group – no legislation needed – to identify the standards and risk reduction techniques that have already proved effective in preventing homes from being destroyed. Standards and techniques that firefighting agencies, CORE groups and Fire Safe Councils are using in WUI communities throughout our state. Standards that are explained in the Institute for Home and Business Safety's "Wildfire Codes and Standards" November 2019 and that are being promoted by the California Fair Plan and responsible insurance companies.² Under current law, insurers are free to recognize these risk reduction programs and reward those who meet them. At least two insurers do, but not enough to spur action and not consistently.³
- The Catastrophe Models that insurers want the freedom to use are very likely to aggravate the affordability problem as they did in Florida. "Due to the uncertainty associated with hurricane loss models and the wide variations between them, Florida established a Commission on Hurricane Loss Projection Methodology."⁴ Allowing insurers to set rates by shifting from using verifiable historical data to using "black box"

² See "Wildfire Home Assessment and Checklist" (last visited July 29, 2020) https://www.cfpnet.com/wp-content/uploads/2019/09/wildfire-checklist_ibhs_09252019.pdf

³ See "Insurance discounts for USAA members in 11 states" (last visited July 29, 2020) <https://www.nfpa.org/Public-Education/Fire-causes-and-risks/Wildfire/Firewise-USA/Become-a-Firewise-USA-site/Program-benefits/Insurance-discounts-for-USAA-members-in-seven-states#:~:text=To%20reward%20USAA%20members%20and,approved%20to%20offer%20the%20discount.>

⁴ <https://www.floir.com/siteDocuments/CatastropheStressTestReport102015.pdf>

complex catastrophe predictive modeling remains controversial.⁵ Just last week the head of the National Hurricane Center told insurance regulators from all over the U.S. that his team's prediction techniques are far superior to those of risk modelers whose projections have "bounced all over the place". ["Hurricane Forecasting and Messaging: Sharing My Top Lessons Learned", Ken Graham, Nat'l Hurricane Center, National Association of Insurance Commissioners Summer 2020 Meeting, Center for Insurance Policy Research Hurricanes & Resiliency Livestream session on 8/12/20]

SB 292 is just not the right approach. The IMAP plan is complicated, allows insurers to continue cherry picking in WUI regions and with recent amendments - no longer even sets up commission to set the necessary standards discussed above.

United Policyholders ("UP") is a non-profit 501(c)(3) organization that informs, helps and speaks for individual and commercial insurance consumers in California and across the nation.

Through a Roadmap to Preparedness program and a "WRAP" initiative⁶, UP is coordinating with agents, brokers, the CA DOI and many partners to help households shop in the current home insurance marketplace to advance our goal of a statewide wildfire risk reduction and insurance reward program.

UP is funded by donations and grants and supported by volunteer labor. UP does not sell insurance or accept funding from insurance companies. At www.uphelp.org, UP offers guidance, information and resources to the public on a wide spectrum of insurance sales and claim matters. For the reasons listed above, UP respectfully opposes SB 292.

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

Sincerely,



Amy Bach,
Executive Director

⁵ See "Insurance Industry is Rethinking Cat Modeling After Last Year's Losses," Insurance Journal, (July 2018) and the National Association of Insurance Commissioners Center for Insurance Policy and Research (last updated 1/2020) https://content.naic.org/cipr_topics/topic_catastrophe_models.htm.

⁶ WRAP stands for "Wildfire Risk Reduction and Asset Protection", www.uphelp.org/WRAP