

March 3, 2020

The Honorable Tom Daly
California State Assembly
State Capitol, Room 3120
Sacramento, California 95814

RE: SUPPORT- AB 2167 (Daly): Insurance market action plan.

Dear Assemblymember Daly:

The County of Monterey is pleased to support your bill, AB 2167 (Daly), which would increase the availability of homeowner's insurance in California's high fire risk areas by bringing private insurers back to those markets.

In recent years, California has experienced a massive increase in the loss of life and property caused by wildfires. Beginning in 2015 with a spate of fires, wildfires have devastated communities around the state including enormous fires in our County as well as, Butte, Shasta, Sonoma, Napa, Ventura, Santa Barbara and Los Angeles Counties. Among the many consequences of the losses caused by these fires are significant changes in the homeowner's insurance market in high fire risk areas.

A study of the homeowner's insurance market released in 2018 as part of the Governor's Fourth Climate Assessment found that insured losses through 2017 wiped out the entire underwriting profit insurers earned since 2000. The 2018 fires continued with another round of enormous losses. Many insurers are re-evaluating their exposure to fire risk and reducing the number of policies that they have in high fire risk areas. This has triggered a painful process for many homeowners who have to find insurance (commonly for the first time since the home was purchased). The overwhelming majority of homeowners who receive a non-renewal notice find insurance with another company. However, some communities have been severely impacted and regular homeowner's insurance is unavailable.

The bill allows insurers to create an "insurance market action plan" (IMAP) for communities where homeowner's insurance is hard to get. IMAPs spell out the combination insurance rates and home eligibility requirements needed to support a mandate for an insurance company to issue/renew more policies in these areas. Insurer would be obligated to issue/renew more policies in high risk counties on the terms and conditions as approved by the Insurance Commissioner.

We are aware of other proposals to mandate insurers to write policies in high fire risk locations in California. In our view, those proposals are not viable, nor are they reasonable long-term solutions to the "new normal" facing California and other Western States. AB 2167 provides a reasonable, common-sense approach to re-establish a viable insurance market in high fire risk regions of the state. We support this approach.

The last major fire in Monterey County was the 2016 Soberanes Fire which over 82 days burned 57 homes, 11 outbuildings, and consumed 132,000 acres along the Big Sur coast. In August 2019, the California Insurance Commissioner released data showing that from 2015 to 2018, insurance companies dropped more than 340,000 customers across the state. Monterey County residents account for approximately 6,000 of this total. The inability to obtain insurance can create a domino effect for the housing market and local economy, negatively affecting home sales and property taxes.

For these reasons, Monterey County supports AB 2167. Should you have any questions, please feel free to contact Senior Policy Advisor, Ashley Walker of Nossaman LLP at 916-442-8888.

Sincerely,

Chris Lopez
Chair, Board of Supervisors

CC: Senator Monning
Senator Caballero
Assemblymember Rivas
Assemblymember Stone
California State Association of Counties