

Date of Hearing: May 11, 2022

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

AB 2450 (Valladares) – As Amended April 18, 2022

Policy Committee: Insurance

Vote: 13 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill requires the Insurance Commissioner, on or before July 1, 2023, to convene a working group to study the feasibility, potential implications and advisability of allowing admitted insurers to offer homeowners' insurance policies that include a deductible for covered losses resulting from wildfires. The bill requires the working group to include, at a minimum, all of the following: California Department of Insurance (CDI) staff, representatives from the insurance industry, consumer advocates, representatives from the FAIR Plan, staff from both houses of the Legislature and staff from the Governor's Office.

The bill further requires the Insurance Commissioner, on or before July 1, 2024, prepare a report summarizing the working group's findings and recommendations and post the report on its internet website.

FISCAL EFFECT:

One-time costs of an unknown, but likely minor amount, in the range of \$50,000 to \$200,000, to CDI to convene and staff the working group on the Insurance Commissioner's behalf, participate in the working group and prepare and submit the report (special fund).

COMMENTS:

1) **Purpose.** According to the author:

Tens of thousands of California homeowners have seen their insurance premiums skyrocket or their policies non-renewed just because they live in a high wildfire risk area. My bill, AB 2450, will require California's Department of Insurance to evaluate proposed solutions that can reduce premiums and expand coverage. In doing so, the bill will outline ways the state can help reduce insurance costs for Californians living in high wildfire risk areas.

2) **Background.** Several years of especially destructive and deadly wildfires led to insurers significantly increasing the insurance rates of homeowners whose homes are in fire-prone areas. In some cases, the insurers refused to renew the policies in such areas. These homeowners have generally found insurance through the FAIR Plan—an association comprised of all insurers authorized to transact basic property insurance in California that

provides last-resort fire insurance in California. However, FAIR Plan policies are typically more expensive and less comprehensive than the policies homeowners had previously.

The Assembly Insurance Committee analysis of this bill recounts the author's office as describing a number of major California homeowners' insurers offering a higher policy deductible for wildfire claims in exchange for lower overall premiums, which the California Department of Insurance disallowed, because existing law requires fire policies to cover all fire perils equally. This bill requires the Insurance Commissioner to convene a working group to study such insurance offerings and to report on the group's findings.

Analysis Prepared by: Jay Dickenson / APPR. / (916) 319-2081