
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2021 - 2022 Regular Session

AB 2450 (Valladares) - Insurance: reporting

Version: June 9, 2022

Urgency: No

Hearing Date: August 1, 2022

Policy Vote: INS. 11 - 0

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: AB 2450 requires, by July 1, 2023, the Insurance Commissioner to convene a working group to study the feasibility, implications, and advisability of allowing insurers to offer homeowners' and commercial property insurance policies that include a deductible for covered losses resulting from wildfires and submit a report on the study to the Legislature by July 1, 2024.

Fiscal Impact: The California Department of Insurance (CDI) estimates costs of \$80,000 in Fiscal Year (FY) 2022-23 and \$152,000 in FY 2023-24 to convene the working group, complete the study, and prepare the report (Insurance Fund).

Background: Recent damaging and deadly wildfires in numerous regions throughout California have led to a well-documented crisis of homeowners' insurance availability and affordability. As California's wildfires have become more common, destructive, and deadly, tens of thousands of Californians have had homeowners' policy premiums increase dramatically or had their policies non-renewed by their insurance carriers. Although the FAIR Plan remains an option of last resort for homeowners whose policies have been non-renewed, FAIR Plan policies are expensive and typically provide less coverage than the non-renewed policies they replace.

Proposed Law:

- By July 1, 2023, requires the Insurance Commissioner to convene a working group to study the feasibility, potential implications, and advisability of allowing admitted insurers to offer homeowners' and commercial property insurance policies that include a deductible for covered losses resulting from wildfires.
- Requires the commissioner to identify industries that have struggled to obtain affordable commercial property coverage due to increased wildfire risk.
- Requires the working group to include CDI staff, representatives from the insurance industry consumer advocates, representatives from the FAIR Plan, representatives from the industries identified by the commissioner, staff from both houses of the Legislature, and staff from the Governor's Office.
- By July 1, 2024, requires the commissioner to prepare a report summarizing the working group's findings and recommendations and post the report on its website.

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