
THIRD READING

Bill No: AB 2450
Author: Valladares (R)
Amended: 8/11/22 in Senate
Vote: 21

SENATE INSURANCE COMMITTEE: 11-0, 6/22/22

AYES: Rubio, Jones, Bates, Borgeas, Dodd, Glazer, Hertzberg, Hueso, Melendez, Portantino, Roth

NO VOTE RECORDED: Hurtado

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/11/22

AYES: Portantino, Bates, Bradford, Jones, Laird, McGuire, Wieckowski

ASSEMBLY FLOOR: 76-0, 5/25/22 - See last page for vote

SUBJECT: Insurance: reporting

SOURCE: Author

DIGEST: This bill requires the Insurance Commissioner (IC) to convene a working group, on or before July 1, 2023, to study the feasibility, potential implications, and advisability of allowing insurers to offer homeowners and commercial insurance policies that include a separate deductible for covered losses resulting from wildfires (wildfire deductible) and post the report of findings to the California Department of Insurance (CDI) website by July 1, 2024.

ANALYSIS:

Existing law:

- 1) Requires all fire policies on subject matter in California to be written on the California Standard Form, as specified (Insurance Code Section 2070 et seq.).
- 2) Prohibits an insurer from omitting any portion of the standard form, except as specified, but requires that if a change is made to the standard form, coverage

with respect to the peril of fire must be substantially equivalent to or more favorable to the insured than that contained in a standard form fire insurance policy (Insurance Code Section 2070).

- 3) Authorizes the FAIR Plan as the property insurer of last resort, to assure the availability of basic property insurance, encourage maximum use of the normal insurance market provided by admitted insurers and licensed surplus line brokers, and provide for the equitable distribution among admitted insurers of the responsibility for insuring qualified property for which basic property insurance cannot be obtained through the normal insurance market (Insurance Code Section 10090 et seq.).

This bill:

- 1) Requires the 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' and commercial property insurance policies that include a deductible for covered losses resulting from wildfire.
- 2) Requires the Commissioner to identify industries, including but not limited to farming, that have struggled to obtain affordable commercial property coverage due to increased wildfire risk, and have the working group study the utility and risks a commercial policy with a wildfire deductible could have for those industries. Also requires that additional financial strategies that could support the use of a wildfire deductible be identified.
- 3) Requires the working group to include all of the following, at a minimum: CDI staff, representatives from the insurance industry, consumer advocates, representatives from the fair access to insurance requirements (FAIR) plan, representatives from the industries the commissioner identifies, staff from both houses of the Legislature, and staff from the Governor's Office.
- 4) Requires the Commissioner, on or before July 1, 2024, to prepare a report summarizing the working group's findings and recommendations and to post that report on its internet web site.

Related/Prior Legislation

AB 1816 (Daly, Chapter 833, Statutes of 2019) allowed insurers participating in the FAIR Plan to be proportionately relieved of their assessment liability for voluntarily writing basic property insurance on risks in high or very high fire

hazard severity zones, as determined and mapped by the Department of Forestry and Fire Protection.

SB 901 (Dodd, Chapter 626, Statutes of 2018) addressed numerous issues concerning wildfire prevention, response and recovery, including funding for mutual aid, fuel reduction and forestry policies, wildfire mitigation plans by electric utilities, and cost recovery by electric corporations of wildfire-related damages.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, 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).

SUPPORT: (Verified 8/12/22)

None received

OPPOSITION: (Verified 8/12/22)

None received

ASSEMBLY FLOOR: 76-0, 5/25/22

AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Bigelow, Bloom, Boerner Horvath, Mia Bonta, Bryan, Calderon, Carrillo, Cervantes, Chen, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Mike Fong, Fong, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Gray, Grayson, Haney, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wilson, Wood, Rendon

NO VOTE RECORDED: Berman, O'Donnell

Prepared by: Brian Flemmer / INS. / (916) 651-4110
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