

GOVERNOR'S VETO
AB 2450 (Valladares)
As Enrolled August 26, 2022
2/3 vote

SUMMARY

This bill requires the Insurance Commissioner (Commissioner) 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.

Governor's Veto Message

This bill 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.

While I support the author's intent to reduce insurance costs for Californians living in high wildfire risk areas, I do not believe a statutory mandate requiring the Insurance Commissioner to evaluate proposed solutions is necessary.

COMMENTS

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.

According to the author's office, in 2016, a number of major California homeowners' insurers began offering their policyholders the option of selecting a higher policy deductible for wildfire claims, in exchange for lower overall premiums. The CDI disallowed those deductibles, because existing law governing the Standard Form requires fire policies to cover all fire perils equally.

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."

Arguments in Support

None on file.

Arguments in Opposition

None on file.

FISCAL COMMENTS

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).

VOTES**ASM INSURANCE: 13-0-1**

YES: Daly, Mayes, Berman, Calderon, Cervantes, Chen, Cristina Garcia, Cooper, Gipson, Grayson, Rodriguez, Voepel, Wood

ABS, ABST OR NV: Bigelow

ASM APPROPRIATIONS: 16-0-0

YES: Holden, Bigelow, Bryan, Calderon, Carrillo, Megan Dahle, Davies, Mike Fong, Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Wilson

ASSEMBLY FLOOR: 76-0-2

YES: 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

ABS, ABST OR NV: Berman, O'Donnell

SENATE FLOOR: 40-0-0

YES: Allen, Archuleta, Atkins, Bates, Becker, Borgeas, Bradford, Caballero, Cortese, Dahle, Dodd, Durazo, Eggman, Glazer, Gonzalez, Grove, Hertzberg, Hueso, Hurtado, Jones, Kamlager, Laird, Leyva, Limón, McGuire, Melendez, Min, Newman, Nielsen, Ochoa Bogh, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wieckowski, Wiener, Wilk

ASSEMBLY FLOOR: 75-0-5

YES: Aguiar-Curry, Alvarez, Arambula, Bauer-Kahan, Bennett, Berman, 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, Grayson, Haney, Holden, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McKinnor, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Waldron, Ward, Akilah Weber, Wicks, Wilson, Wood, Rendon

ABS, ABST OR NV: Bigelow, Gray, Irwin, McCarty, Voepel

UPDATED

VERSION: August 26, 2022

CONSULTANT: Kathleen O'Malley / INS. / (916) 319-2086

FN: 0004665