



381 Bush Street, 8th Floor
San Francisco, CA 94104
415.393.9990
www.uphelp.org

Hon. Ricardo Lara
Senate Insurance Committee
State Capitol, Room 5050
Sacramento, CA 95814
senator.lara@senate.ca.gov

March 6, 2018

Board of Directors

Amy Bach
Executive Director

John Sullivan
President, Board of Directors
Avaya, Inc.

Hon. David Baria
Mississippi State Representative

Jim Beneke
Beneke/Adjusters International

Nicholas Casagrande
NC Financial Group

Terrence Coleman
Pillsbury & Coleman

Laura Levine
Treasurer, Board of Directors
EverBank

William "Chip" Merlin, Jr.
Merlin Law Group

Susan Piper
Disaster Survivor

Jennifer Rosdail
Keller Williams San Francisco

Pamela Schmitz
Brio Financial Group

Daniel Veroff
Kerr & Wagstaffe

Doug Wertheimer
Industry Capital

Alice Wolfson
DL Law Group

Ex Officio

Hon. Stanley Feldman
Chief Justice (RET)
Arizona Supreme Court

Deborah Senn
Insurance Commissioner (1993-2001)
Washington State

William Shernoff
Shernoff, Bidart & Darras

Programs

- Advocacy and Action*
- Roadmap to Preparedness™*
- Roadmap to Recovery™*

Re: SB 824 - SUPPORT

Dear Senator Lara:

We write in support of the above referenced bill on behalf of our organization and the many thousands of California home insurance consumers that we serve and represent. SB 824 will help preserve a competitive home insurance marketplace in our state and maintain options for Californians to protect their homes through reputable, well-capitalized insurance companies. Specifically, SB 824 will slow the pace of non-renewals, extend existing renewal protections that are now available to disaster survivors to their neighboring homeowners, give additional authority to the CA Insurance Commissioner, and encourage insurers to support and reward wildfire risk reduction.

A growing number of insurance companies have started using computer-based "predictive" risk scoring instead of traditional underwriting.¹ A high risk score, like a low credit score, is akin to a "scarlet letter" that renders the customer unattractive. This has combined with the drought and the tree mortality crisis to cause a number of leading insurance companies to drop long time customers in a growing number of areas. As more insurers implement the models, there are fewer competitors to pick up dropped customers, and many homeowners are having to procure lower quality, more expensive coverage through the non-admitted (less regulated) market or the California Fair Plan, according to surveys conducted by our organization.²

In addition, the work currently underway by the Governor's Task Force of Tree Mortality (insurance subgroup) confirms that homeowners, particularly in the wildland urban interface and rural areas, are finding it difficult to secure insurance coverage in the admitted market at an affordable price.³ The Task Force has been working toward constructive solutions, particularly focused on a uniform set of mitigation standards⁴, with insurance industry participation, but has thus far been unsuccessful in reaching a non-legislative, negotiated solution to the challenges of homeowners in many parts of the state to find quality, affordable homeowner's insurance.⁵

What began as a problem in a limited number of rural brush areas is now spreading, virus-like, to suburban and even urban areas throughout the state. While some of the non-renewals may be justified from a business perspective, not all are, and the virus is putting an unfair burden on homeowners, reducing property values and threatening the health of local economies and real estate transactions. As California recovers from a devastating wildfire season, it is more apparent than ever that insurance protection is the difference between recovery and run. A healthy, competitive insurance market must provide affordable options for all Californians.

SB 824 is the legislative solution that combines common sense reforms with increased regulatory authority, the goal being to increase consumer confidence in what is fast-becoming a dysfunctional, non-inclusive insurance marketplace. SB 824 would: (1) extend the protections in Cal. Ins. Code § 675.1 that require an insurer to offer one renewal to a primary residence that has been destroyed by a Governor's State of Emergency to all residences located within the affected County; (2) prohibit non-renewals except in the same circumstance in which a cancellation would be allowed (See Cal. Ins. Code § 676; Penn. Stat, Tit. 40 P.S. Ins. § 1171.5); (3) require insurers seek approval from the Insurance Commissioner before they non-renew a significant number of policies in a certain geographic area (See: New York Ins. Law 3425)⁶; and (4) create a framework for legislatively mandated mitigation discounts. These provisions exist in some form or another in other states and are sound public policy, designed to address contracting markets. We cannot afford to allow California to become Long Island or Florida.

"We" are United Policyholders ("UP") is a non-profit 501(c)(3) organization that informs, helps and speaks for insurance consumers in California and across the nation. UP is funded by donations and grants and supported by volunteer labor. UP does not sell insurance or accept funding from insurance companies. At www.uphelp.org, UP offers a variety of resources and tools for making good decisions when buying insurance and resolving claim and coverage disputes. UP has been advocating for California wildfire survivors since the 1991 Oakland-Berkeley Firestorm. UP celebrated its 25th year of service to California homeowners in 2016. UP has devoted significant time and resource over the past two years to helping local and state officials, insurers, consumers, and the Department of Insurance solve this significant problem.

Thank you for your time and consideration of this important matter.

Sincerely,



Amy Bach, Esq.
Executive Director

cc: Erin Ryan; erin.ryan@sen.ca.gov

Sen. Ted. Gaines c/o Doria Wallentine: doria.wallentine@sen.ca.gov

Sen. Tom Berryhill c/o Matthew Gallagher: matthew.gallagher@sen.ca.gov

Sen. Cathleen Galgiani c/o Bob Alvarez: bob.alvarez@sen.ca.gov

Sen. Steve Glazer c/o Christian Beltran: Christian.beltran@sen.ca.gov

Sen. Ed Hernandez c/o Max Perry: max.perry@sen.ca.gov

Sen. Ben Hueso c/o Aaron Brieno: aaron.brieno@sen.ca.gov

Sen. Ricard Lara c/o Renee Estoista: renee.estoista@sen.ca.gov

Sen. Holly Mitchell c/o Bridget Kolakosky: bridget.kolakosky@sen.ca.gov

Sen. Mike Morrell c/o Rebecca Fontaine: Rebecca.fontaine@sen.ca.gov

Sen. Josh Newman c/o Aaron Skaggs: aaron.skaggs@sen.ca.gov

Sen. Anthony Portantino c/o Anthony Molina: Anthony.molina@sen.ca.gov

Sen. Richard Roth c/o Brian Flemmer: brian.flemmer@sen.ca.gov

Endnotes

¹ See: <http://uphelp.org/guide/transparent-rate-modeling>.

² See: <http://www.uphelp.org/sites/default/files/blog/2017hosurveyca.pdf>. We petitioned the California Department of Insurance to take action on this issue in late 2017. See: http://www.uphelp.org/sites/default/files/blog/up_request_for_investigatory_hearings_on_wildfire_risk_models.pdf.

³ See: <http://www.fire.ca.gov/treetaskforce/>.

⁴ See: <http://uphelp.org/guide/mitigation-and-risk-reduction>.

⁵ For example, in December 2017, the Institute for Home and Business Safety, an insurance-industry-funded research organization well-known for promulgating the Fortified™ standards that are used in many states as the basis for legislatively mandated mitigation discounts (see, e.g., Ala. Code §§ 27-31D-1 *et seq*: <http://www.aldoi.gov/pdf/legal/2016-07%20-%20Modification%20to%20Ala.%20Bulletins%202013-07,%202010-03%20and2009-07.pdf>) came out in opposition of efforts to legislatively impose fire mitigation standards and discounts.

⁶ New York Ins. Law 3245 was enacted due to shrinking competition on Long Island, particularly, Nassau and Suffolk Counties. Under the New York formulation, an insurer who wishes to “materially reduce the number of policies written (defined as 500 policies or 20% of book of business over 5 years) must submit a plan to the Insurance Commissioner, to ensure that an orderly reduction takes place, as to minimize the harm to the competitive insurance market.