



April 8, 2024

Honorable Lisa Calderon, Chair
 Assembly Insurance Committee
 1020 N Street, Room 369
 Sacramento, CA 95814

RE: AB 2996 (Alvarez) FAIR Plan Association – (As Amended 3/21/2024) – SPONSOR/SUPPORT

Dear Chair Calderon:

We the undersigned are businesses consumers that are currently facing real challenges in finding affordable and available commercial and residential insurance to provide insurance coverage for our business operations in California. This problem is growing in magnitude daily and is adding substantial increases in costs to our business operations that are being directly born by us and our customers. In some cases, the increase in costs are so prohibitive we may need to cease our business operations altogether until this insurance crisis issue is more fully addressed.

AB 2996 (Alvarez) as amended on March 21, 2024, is a positive first step in addressing the current crisis we are facing as consumers in California in securing more affordable insurance for our business operations. AB 2996 will ensure that the Fair Access to Insurance Requirement Plan (FAIR Plan) has additional tools to ensure it is more solvent and resilient if there is a major catastrophic event or multiple smaller events over the next few years until the admitted insurance market can return to normal, and competition and consumer choices are once again made available.

AB 2996 authorizes the FAIR Plan to secure bond funds from the California Infrastructure and Economic Development Bank (IBank). These bonds can provide an immediate cash infusion into the FAIR Plan to ensure that smaller admitted insurers do not have to immediately pay assessments to the FAIR Plan and go bankrupt to backfill the FAIR Plan; and larger insurers deplete their surplus to pay for the post-disaster FAIR Plan assessments. Without AB 2996, under current California law, there is no mechanism for insurers to immediately address these assessments, and their only option to reduce exposure is to non-renew existing policies. (Some insurers have already started non-renewing policies due, in part, to the FAIR Plan exposure.)

To ensure financial stability of the FAIR Plan, AB 2996 would authorize the FAIR Plan to request the California Infrastructure and Economic Development Bank to issue bonds and levy special bond payment assessments upon member insurers (not consumers). This will allow for a more gradual repayment process of the IBank loan over a period of time (normally 10 years). Under current law insurers must pay FAIR Plan assessments within 30 days.

For the California Building Industry Association, the insurance crisis is putting thousands of new condominium units on hold from being constructed throughout the state of California, until a more affordable and practical commercial insurance market can be created. Condominium homes are the most affordable and attainable first-time home buyer product in California.

California Farm Bureau members work and live in regions of the state often directly impacted by the wildfire risks driving insurers out of the state and driving our members into the FAIR Plan. Without belaboring the irony that farms and ranches provide natural mitigation to these very risks, the reality is that the lack of access to affordable, comprehensive insurance will force farms out of production.

Independent agents and brokers have been severely harmed by the continuing crisis of availability in property insurance. They are struggling financially, and emotionally, because they can't procure suitable insurance coverage to help their policyholders and neighbors adequately protect their homes and businesses.

Because the FAIR Plan is growing at an alarming and unsustainable rate, AB 2996 has an urgency clause to ensure that one large fire (like the ones California faced annually from 2017-2021) does not collapse the FAIR Plan and then cascade down to the entire homeowners and commercial insurance market. This would have a crushing impact on the entire insurance market and California's insurance consumers.

For the reasons outlined above, we the undersigned ask for your support and "Aye" vote.

Thank you.

Dan C. Dunmoyer, President and CEO, California Building Industry Association
on behalf of the following organizations:

John Sebree, CEO, California Association of Realtors

Thomas Bannon, CEO, California Apartment Association

Tom Freeley, President & CEO, California Association of Community Managers

Jill Epstein, CEO, Independent Insurance Agents and Brokers of California

Michael Miiller, Director of Government Relations, California Association of Winegrape Growers

Peter Ansel, Senior Policy Advocate, California Farm Bureau Federation

Indira McDonald, KP Public Affairs, on behalf of California Mortgage Bankers Association

Brian Hanlon, CEO, California YIMBY

Matthew Hargrove, President & Chief Executive Officer, California Business Properties, and BOMA California, NAIOP California, IREM California

Jeff Ball, President/Chief Executive Officer, Orange County Business Council

Mike Roos, President, Southern California Leadership Council

John Kabateck, State Director, NFIB

Robert Lapsley, President, California Business Roundtable

cc Assembly Member David Alvarez, Author
Members, Assembly Insurance Committee
Kathleen O'Malley, Chief Consultant, Assembly Insurance Committee
Bill Lewis, Consultant, Assembly Republican Caucus