



January 15, 2025

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

RE: AB 226 (Calderon and Alvarez) California FAIR Plan Association – SPONSOR/SUPPORT

Dear Chair Calderon:

We, the undersigned, are business 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 is so prohibitive, we may need to cease our business operations altogether until this insurance crisis issue is more fully addressed.

AB 226 (Calderon and Alvarez), as introduced, 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 226 will ensure that the Fair Access to Insurance Requirement Plan (FAIR Plan) has additional tools to ensure it has a greater claim paying capacity and is more resilient as a result of the major catastrophic events that are occurring in Southern California and will assist the admitted insurance market in hopefully returning to normal, and competition and consumer choices are once again made available.

AB 226 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. **AB 226 is labeled “fiscal” only because if bonds are issued it will result in additional revenues being deposited into the California Infrastructure and Economic Development Bank Fund, but there are no General Fund costs to implement this measure.**

Without AB 226, 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 226 would authorize the FAIR Plan to request IBank 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.

For the California Association of REALTORS®, the FAIR plan remains a vital piece of California's insurance market, and its continued viability is crucial to the ability of California's homeowners to protect their most valued asset: their homes.

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 their 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 226 has an urgency clause to ensure that it can immediately assist with addressing the horrific fires that have occurred in Southern California, which could impair 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.

Sincerely,

Dan C. Dunmoyer, President and CEO, California Building Industry Association

Sanjay Wagle, Sr. Vice President of Government Affairs & Chief Lobbyist, California Association of REALTORS®

Debra Carlton, Executive Vice President of State Government Affairs, 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

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

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

Mike Roos, President, Southern California Leadership Council

Sara Catalán, Executive Director, Orange County Taxpayers Association

cc Assembly Member David Alvarez

Members, Assembly Insurance Committee

Josephine Figueroa, Deputy Commissioner and Legislative Director

Kathleen O'Malley, Chief Consultant, Assembly Insurance Committee

Bill Lewis, Consultant, Assembly Republican Caucus