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March 25, 2019

**Senate Committee on Governmental Organization
California Senate**

RE: SB 290 Natural disasters – Insurance and related alternative risk-transfer products

Chairman Dodd and Members of the Committee,

My name is R.J. Lehmann and I am director of finance, insurance and trade policy at the R Street Institute. R Street is a think tank devoted to pragmatic free-market solutions to public policy challenges. We have maintained a Sacramento office focused on California issues since 2014.

I write you in support of S.B. 290, legislation that would authorize the governor, insurance commissioner and treasurer to initiate contracts that transfer the state government's exposure natural catastrophe risks – including costs stemming from earthquakes, wildfires and floods – through the use of insurance, reinsurance, insurance-linked securities or alternative risk-transfer products.

We support this measure to provide greater flexibility in how California may prefund the state's disaster risks, close the widening protection gap and protect taxpayers from downside risk. In the past two years alone, California has had to spend nearly \$1 billion in emergency appropriations to deal with firefighting, roughly double the amount budgeted. Insuring such disasters would both smooth the impact on the state's budget and provide clearer price signals that can be used to evaluate cost-effective mitigation strategies.

We thank Chairman Dodd and Insurance Commissioner Richard Lara for their work on this important legislation and urge its passage by the committee.

Sincerely,

R.J. Lehmann
Director of Finance, Insurance and Trade
R Street Institute