



Aug. 30, 2019

**Assembly Appropriations Committee
California Assembly**

**SB-290: Natural disasters: insurance and related alternative risk-transfer products
Special Fund for Economic Uncertainties.**

Chairwoman Gonzalez and Members of the Committee,

My name is R.J. Lehmann and I serve as director of finance, insurance and trade policy at the R Street Institute, a free-market public-policy think tank based in Washington, D.C. I write in support of SB 290, which passed the California Senate unanimously in May.

This legislation would authorize the governor to initiate contracts that transfer California's exposure to natural catastrophe risks like mudslides, wildfires and floods through the use of insurance, reinsurance, insurance-linked securities or other risk-transfer products. In addition, the state insurance commissioner would be required to convene a working group to identify risk-transfer mechanisms that promote investment in natural infrastructure and mitigate the effects of climate change-driven natural catastrophes.

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. We also believe it is essential that the cost of disaster risks be recognized upfront and that market prices help to guide crucial state governmental decisions about planning and development.

The bill would appropriate moneys from the Special Fund for Economic Uncertainties toward risk-transfer mechanisms, which we believe is a wise investment. In the past two years alone, California has spent nearly \$1 billion in emergency appropriations to deal with firefighting, roughly double the amount budgeted. Insuring against 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 the committee for its work on this important legislation and urge passage of SB 290.

Sincerely,

R.J. Lehmann, R Street Institute