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Aug. 3, 2020

Chairwoman Susan Rubio  
Vice Chairman Brian W. Jones  
State Capitol, Room 2195  
Sacramento, CA 95814  
cc. Senate Standing Committee on Insurance

**RE: A.B. 2167, Insurance Market Action Plan**

Dear Senators,

The R Street Institute wishes to express its support for Assembly Bill 2167, which soon will come before this committee after passage by the full state Assembly. R Street is a Washington, D.C.-based think tank with offices in Sacramento. The institute long has advocated for practical, market-oriented solutions to policy problems, including more competition in insurance markets.

A.B. 2167 helps provide a market-based mechanism to encourage insurers to provide residential coverage in high-risk areas, which will lead to greater choice for consumers. A.B. 2167 creates the Insurance Market Action Plan, enabling insurance companies to cut through the red tape to voluntarily offer policies in high-risk regions. Such coverage has been in increasingly short supply in the wake of devastating wildfires that led to \$24 billion in wildfire claims between 2017 and 2018.

This legislation furthers the goals of transparent and risk-based regulation of property insurance established by Proposition 103, including review of all rates by the California Department of Insurance. Its purpose is merely to speed what in practice has become a lengthy and contentious rate-review process, to encourage mitigation and to allow for consideration of catastrophe models and reinsurance pricing that reflect the growing threat posed by climate change.

We have reviewed the proposed amendments to the bill the committee will consider. We are strongly supportive of the language proposing the Legislative Analyst's Office produce a report by June 30, 2024, examining whether the IMAP program has achieved market penetration goals in targeted counties, whether it produced admitted market rates lower than the California FAIR Plan and what impact the use of reinsurance has had on the availability and affordability of property insurance in high-risk areas. Should this report find the improvements we anticipate, we would hope the Legislature would consider extending the program beyond its scheduled 2027 expiration.

We consider A.B. 2167 and the companion S.B. 292 to be first steps in moving California toward a more market-based insurance system. Market-based insurance rates are essential to send price signals to consumers encouraging them to adapt to the risks posed by a changing climate. Measures such as these, rather than additional state-imposed regulations, will help nudge California in the right direction.

Sincerely,

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