



March 22, 2023

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

Dear Assembly Insurance Committee Chair Calderon,

The South Orange County Economic Coalition (SOCEC) is the premier voice of business in south Orange County. Serving the region since 1969, we work diligently to promote a strong economic climate in collaboration with our members and key stakeholders who share in our commitment to making this region a welcoming place to work, live, and do business in.

Earlier this year, the California Department of Forestry and Fire Protection (CalFire) published an updated slate of Fire Hazard Severity Zone (FHSZ) maps. Previously, we wrote to CalFire requesting an extension for the period of public comment to grant business and community leaders more time to review the proposed maps. We were pleased to hear that they took this consideration seriously and agreed to a 60-day extension.

As you are aware, many residents and residents now find themselves in high-severity zones, which, among other things, will greatly affect what it costs to insure their properties. This, coupled with the fact that many admitted market insurance companies are leaving California, heralds a statewide insurance crisis that must be taken extremely seriously.

Already, we see that homeowners and condominiums in high-severity zones struggle to get insurance coverage without turning to the non-admitted insurance market. These companies which comprise this market, and which are not regulated by the California Department of Insurance (CDI), gouge customers with excessive premiums—made permissible by a relative lack of competition in the marketplace and no oversight from

the CDI. This problem is only getting worse. It is a de facto moratorium on affordable multi-family housing.

We at SOCEC call on the Assembly Insurance Committee and Insurance Commissioner Ricardo Lara to enact policy solutions that will address the insurance crisis and allow those who are being priced out to access viable options for affordable coverage.

One potential solution would be to work with CalFire on amending the FHSZ maps in such a way that takes into consideration the cities and regions that have undertaken extensive fire mitigation efforts. Presently, the maps make no attempt to account for this. Several cities in south Orange County have spent tens of millions of dollars building additional fire stations, moving power lines underground, and retrofitting buildings to comply with the Department of Forestry's Fire Safe Development Standards, all with the goal of reducing the effects of fires. If property owners in a given area have taken such significant steps and made substantial investments in wildfire mitigation, that needs to be accounted for, perhaps by creating new, more nuanced risk categories.

Another suggestion would be to increase the cap on California FAIR Plan limits to \$20 million per location. The FAIR Plan's effort to offer coverage to high-risk homeowners who have trouble obtaining coverage through other insurers is admirable, but covering only up to \$8.4 million means that multi-family residences like condominiums are barred from taking advantage of it. Even raising the cap temporarily would be a step in the right direction.

We thank you for your consideration and understand that this is a highly complex issue. However, we are confident that if the Assembly Insurance Committee and the Insurance Commissioner work with industry leaders, we will arrive at a solution that protects millions of Californians from having to choose between exorbitant premiums, no coverage, or leaving the state entirely.

If we can provide any additional information, or if you have questions about our request, please do not hesitate to contact Executive Director Victoria Hernandez via email at Victoria@economiccoalition.com or via telephone at 949.440.1027.

Sincerely,

Victoria Hernandez
Executive Director

Kelley Lee
Chairwoman

Adam Wood
Advocacy Committee Chair

