



June 12, 2023

The Honorable Ricardo Lara
California Insurance Commissioner
300 Capitol Mall, Suite 1600
Sacramento, CA 95814

Dear Insurance Commissioner Lara,

On behalf of the California Rental Housing Association (CalRHA), I am writing to express our deep concern about the rising cost of insurance and the increasing number of insurers leaving the California market.

CalRHA is a statewide trade association representing over 24,000 apartment owners and managers who provide housing to over 675,000 Californians. Our members include small, medium, and large apartment owners and managers from all over the state.

As you know, the cost of insurance has been rising steadily in recent years. This is due to a number of factors, including the high cost of claims, the increasing risk of wildfires, and the state's complex regulatory environment.

The rising cost of insurance is making it difficult for apartment owners to afford coverage. This is particularly true for small apartment owners, who often have limited resources.

In addition, the increasing number of insurers leaving the market is making it more difficult for apartment owners to find affordable coverage. This is because there are fewer insurers competing for business, which reduces choice and leads to higher prices.

The rising cost of insurance is impacting apartment owners and renters in a number of ways. As operating costs increase, a significant portion of those cost increases are often passed on to California residents.

- **Increased costs:** Rising insurance rates may force apartment owners to increase rents in order to cover the cost of insurance. This makes it more difficult for people to afford housing, especially in high-cost areas.
- **Reduced investment:** Rising insurance rates are making it less attractive for investors to invest in apartment buildings. This is leading to a decrease in the supply of housing, which is driving up prices even further.

- Increases in deferred maintenance: Rising insurance rates mean there is less money available for all the vendors involved in maintaining apartment complexes. This could mean reduced landscaping, longer wait times on non-emergency repairs, and reduced access to amenities.

We do not claim to be experts on the insurance marketplace, but we believe that when carriers such as State Farm, Allstate, Farmers Insurance, Nationwide, and American International Group (AIG) choose to minimize their presence in California, that is a clear signal that the market is not functioning properly.

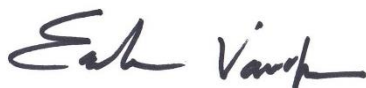
CalRHA is urging you to take urgent action to stabilize California's insurance market. We believe that the following steps are necessary:

- Please lend your voice in support of maintaining and increasing state and local funding for wildfire mitigation. This would help to reduce the number and severity of wildfires, which would in turn, reduce the cost of claims for insurers while also saving lives and protecting property.
- Make sure the FAIR plan has adequate reserves and reinsurance to cover losses and is offering rental housing providers with limited options the very lowest rates possible.
- Speed up the adjudication of insurance rate filings so there is regulatory certainty, and it is easier for insurers to do business in California.

We believe that these steps are necessary to protect the health and safety of Californians and to ensure that apartment owners have access to affordable insurance.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Earle Vaughan". The signature is fluid and cursive, with the first name "Earle" being more prominent than the last name "Vaughan".

Earle Vaughan
President, California Rental Housing Association (CalRHA)