



June 25, 2019

**Assembly Committee on Insurance
California Assembly**

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

Chairman Daly and Members of the Committee,

The undersigned organizations comprise free-market and taxpayer watchdog groups who write you in support of SB 290, which passed the state Senate in a unanimous 38-0 vote May 23.

This legislation would authorize the governor, in consultation with the insurance commissioner and treasurer, to initiate contracts that transfer California's exposure to natural catastrophe risks like mudslides, wildfires and floods by using insurance, reinsurance, insurance-linked securities or other 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. 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.

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 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
John Berlau, Competitive Enterprise Institute
Pete Sepp, National Taxpayers Union