

Date of Hearing: April 30, 2025

**ASSEMBLY COMMITTEE ON INSURANCE**

Lisa Calderon, Chair

AB 1339 (Mark González) – As Introduced February 21, 2025

**SUBJECT:** Department of Insurance: housing insurance study

**SUMMARY:** Requires the California Department of Insurance (CDI) to conduct a study of the property, liability, and builders' risk insurance coverages available to affordable housing entities. Specifically, **this bill**:

- 1) Requires CDI to identify barriers to keeping affordable housing entities appropriately insured.
- 2) Requires CDI to conduct the study in consultation with affordable housing entities, insurers, providers of nonprofit insurance services, risk-sharing pools for public housing authorities and nongovernmental owners of affordable housing properties, insurance captives, risk retention groups and other relevant state agencies.
- 3) Requires an insurer to provide necessary information requested by CDI for the study.
- 4) Requires CDI to do all of the following:
  - a) Collect information to conduct the study;
  - b) Obtain data from the previous five years on the number of types of insurance policies in effect, reasons for policy renewals or cancellations, claims activity, and premium and deductible amounts;
  - c) Analyze and request any other relevant information that may help CDI analyze the availability of property, liability, and builders' risk insurance coverage for the affordable housing entities;
  - d) Analyze trends impacting market availability of property, liability, and builders' risk insurance coverage for affordable housing entities; and,
  - e) Analyze and request any other relevant information that may help CDI analyze how, if at all, insurers consider the following in determinations of insurance policy offers or rate setting:
    - i) The level or source of income of an individual or group of individuals residing or intending to reside upon the property to be insured, if the individual or group of individuals is not the owner of the real property.
    - ii) The receipt of assistance intended for housing from the federal or state government or a local public entity.
    - iii) The designation of real property containing a residential dwelling unit as affordable to residents at a specific income level.

- 5) Requires CDI to submit the study to the appropriate committees of the Legislature on or before December 31, 2026.
- 6) Requires the report on the study to include recommendations on potential policy and budget options to address insurance coverage cost and access challenges for affordable housing entities.
- 7) Provisions of this measure are contingent upon appropriation by the Legislature.
- 8) Provisions in this measure sunset on January 1, 2027.
- 9) Makes findings and declarations.

**EXISTING LAW:**

- 1) Establishes the Insurance Commissioner (Commissioner) as a statewide elected official responsible for administering and overseeing CDI.
- 1) Establishes the affordable housing risk retention pool that authorizes affordable housing entities to join in an arrangement that provides for the pooling of self-insured claims or losses against tort liability, liability to officers and employees for their acts or omissions, and physical damage to motor vehicles, personal property and real property of the affordable housing entity. Specifies that the pooling arrangement is not to be considered insurance, and will not be subject to regulation by the Insurance Commissioner. (Insurance Code, Section 13900)
- 2) Defines “affordable housing” as housing developments in which some of the dwelling units may be purchased or rented, with or without government assistance, on a basis that is affordable to persons or families of low or moderate income, as defined in Section 50093 of the Health and Safety Code. (Insurance Code, Section 13906)
- 3) Defines “affordable housing entity” as the following:
  - a) A housing authority created under the laws of this state or another jurisdiction and any agency or instrumentality of a housing authority, including, but not limited to, a legal entity created to conduct a self-insurance program for housing authorities
  - b) A nonprofit corporation organized under the laws of this state or another state that is engaged in providing affordable housing.
  - c) A partnership, general or limited, or limited liability company that is engaged in providing affordable housing and that is affiliated with a housing if the housing authority or nonprofit corporation has one or more of the following:
    - i) A financial or ownership interest in the partnership or limited liability company or the right to acquire that interest.
    - ii) The power to direct the management or policies of the partnership or limited liability company.

- iii) Contract to lease, manage, or operate the affordable housing owned by the partnership or limited liability company. (Insurance Code, Section 13907)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

- 1) *Purpose of the bill:* According to the author, “California is facing an insurance crisis that threatens the stability of affordable housing across the state. Rising insurance costs, shrinking coverage, and insurer withdrawals are creating financial hardship for affordable housing providers—jeopardizing the state’s investment in safe and stable housing for low-income families, seniors, and people experiencing homelessness.

Unlike for-profit housing providers, affordable housing providers cannot raise rents to offset these costs. As a result, affordable housing providers are forced to defer necessary property maintenance and improvements, cut services and staff, and reduce insurance coverage, which increases financial vulnerability. If left unaddressed, this crisis will stall new development, push providers out of the market, and worsen California’s housing and homelessness crises.

This study will provide critical data and recommendations to inform policy solutions that ensure affordable housing remains viable and protected. By taking this essential first step, we can reaffirm California’s commitment to housing affordability and address the growing insurance challenges that threaten its success.”

- 2) *Affordable housing and insurance:* According to the proponents of this measure, the US is facing a housing-industry-wide insurance crisis, with acute and unique impacts to the affordable housing sector in California. Unlike market-rate housing, in which owners can absorb increased operational costs through more robust profit margins and/or rent increases, affordable housing providers are required to keep rents affordable through their public funding sources, which require affordability for at least 55 years, in most cases through a regulatory covenant agreement. It is required by law that these affordable housing providers keep rents affordable to tenants, and most already operate on very narrow margins. This presents an urgent threat to the fiscal solvency and stability of affordable housing, undermines the state’s investments in affordable housing, and puts tens of thousands of California’s most vulnerable households at risk.
- 3) *Other states:* New York and Washington have requested similar studies on insurance and affordable housing.
- 4) *Concerns with bill:* As property insurance rates increase, the impacts to affordable housing are valid concerns and should be discussed. Concerns with this measure are whether the information requested can actually be achieved by CDI, specifically data points in (e). Committee staff recommends the author work with CDI to determine the best path forward as far as what information is able to be collected specific, to affordable housing entities.
- 5) *Suggested amendments:*
  - a) Remove references to nonadmitted insurers

- b) On page 4 delete “identified admitted and” and delete lines 6-11.
- c) Specify the appropriate committees are the Senate Committee on Insurance and the Assembly Committee on Insurance on page 5.
- d) Move “Identify barriers to keeping these affordable housing entities appropriately insured.” from page 3 to (b) on page 4.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

All Home, a Project of Tides Center  
Brilliant Corners  
California Coalition for Rural Housing  
California Housing Consortium  
California Housing Partnership  
City and County of San Francisco  
East Bay Asian Local Development Corporation  
East Bay Housing Organizations  
Enterprise Community Partners, INC.  
Homes & Hope  
Housing California  
Little Tokyo Service Center  
Midpen Housing Corporation  
Resources for Community Development  
Southern California Association of Nonprofit Housing  
Supportive Housing Alliance  
The John Stewart Company  
Wakeland Housing and Development Corporation

**Opposition**

None on file.

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