



April 15, 2021

Assembly Member Tom Daly, Chair  
Assembly Insurance Committee  
Legislative Office Building  
1020 N Street, Room 369  
Sacramento, CA 95814

**RE: AB 743 – OPPOSE**

Dear Chair Daly and members of the Assembly Insurance Committee,

The California Insurance Wholesalers Association (CIWA)<sup>1</sup> and the Wholesale & Specialty Insurance Association (WSiA)<sup>2</sup> appreciate the opportunity to provide our testimony in strong opposition to the proposed legislation that would require insurers to pay for coverage that was never sold.

Last year we submitted comments voicing our strong concerns and objections to AB 1552. We understand that AB 743 pursues the same retroactive application of business interruption coverage in insurance contracts so we are reissuing these comments to preserve our previous remarks, which are reiterated below.

As proposed, AB 743 would have far-reaching, significant negative impacts to all consumers and businesses relying on the insurance market to protect them now and in the future. These bills would retroactively change every insurance policy issued for loss of use and occupancy and business interruption so that each policy would effectively be rewritten to include coverage for business interruption during the declared state emergency due to the COVID-19 pandemic. If passed, they would mandate insurance policy interpretation regardless of the clear wording of the policy itself, providing a coverage never intended when the policy was underwritten and priced.

Our fellow insurance trade associations have vigorously opposed similar proposals and discussions, and we voice our strong opposition to this bill as well as we outline below. Where there are insurance policies that provide coverage for COVID-19 pandemic business

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<sup>1</sup> The California Insurance Wholesalers Association (CIWA) is a California professional trade association for California insurance wholesalers and those who conduct business in or support the wholesale insurance distribution system.

<sup>2</sup> The Wholesale & Specialty Insurance Association (WSiA) is the non-profit association of insurance professionals and specialty market leaders dedicated to the wholesale distribution system. WSiA represents the interests of its members and the valuable role they play in the insurance market through networking, education, talent recruitment and development, regulatory and legislative advocacy for surplus lines, and by promoting the value of the wholesale distribution channel. WSiA is a world-class member service organization representing the entirety of the wholesale, specialty and surplus lines industry.

interruption losses, insurers should and will pay all properly submitted claims for which coverage exists. However, we oppose any retroactive modifications to insurance policies that do not include this coverage. Any action to fundamentally alter business interruption provisions specifically, or property insurance generally, to retroactively mandate insurance coverage for viruses by voiding those exclusions, would immediately subject insurers to claim payment liability that threatens solvency and the ability to make good on the actual promises made in existing insurance policies.

WSIA has issued a [statement opposing legislation](#) that changes insurance contracts from their original intent, which we respectfully ask that you consider. Below we highlight and outline why we so strongly oppose AB 743 and appreciate your consideration of our concerns.

1. Insurers reserve assets to pay claims based on assumed risk factors. The risks detailed in an insurance policy provide the fundamental basis for calculating these reserves and setting the price of the insurance premium. In the case of this proposed legislation, the insurer would be mandated to pay claims for coverage it did not sell and, losses that it did not prepare or reserve for, which exacerbates the risk of insolvency for any insurers issuing business interruption policies in this state. The [American Property and Casualty Insurance Association estimated](#) that the COVID-19 pandemic shutdown cost \$383 billion for small businesses of less than 100 employees which, even in Louisiana, would represent an unprecedented financial burden on insurers. Some if not many or all will likely have difficulty meeting their obligations to cover the perils they are contracted to cover and which are expressly specified in their insurance policies. Fires, hurricanes and other perils do not cease for a pandemic and policyholders experiencing insured losses, now and in the future, need to know insurers will be there to pay legitimate claims.
2. Mandating the payment of insurance that was never purchased would make the market unstable for insurers. Insurers will not know if policy terms will be discarded in the future based on crises, catastrophic events, or desired public policy outcomes. No contractual relationship can be secure when the parties cannot count on the contract to be honored. The bill would also have disastrous national ripple effects. Regulators in other states might compel their domiciled insurers who do business in Louisiana to not pay claims based upon the passage of the bill because they would recognize its disastrous impact on the solvency of their domestic insurers.

In addition, Article 1, Section 10, Clause 1 of the United States Constitution clearly states, *inter alia*, that “[n]o State shall...pass any...ex post facto Law, or Law impairing the **Obligation of Contracts.**” The U.S. Constitution therefore explicitly prohibits states from passing any retroactive law that impairs contractual obligations, which is precisely what AB 743 would do. Legislatively rewriting existing insurance contracts would run afoul of this constitutional prohibition against the government impairing private contracts. Passage would no doubt lead to unproductive, protracted litigation based on a flagrant violation of the U.S. Constitution.

3. We respectfully submit that active support for a comprehensive federal program that supports business operations during a pandemic is the most productive approach to addressing the most current needs of businesses and their employees in these trying times—not violating the U.S. Constitution and setting a dangerous precedent in contract law and insurance policy.

For these reasons, CIWA and WSIA urge the legislature to NOT ENACT AB 743. Thank you for your time and please let us know if you have any questions about our policy statement.

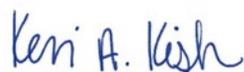
Sincerely,



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