

YOSEMITE INSURANCE COMPANY

March 4th, 2020

Assemblyman Garbarino and Representative Moore
Co-Sponsors of the Insurance Business Transfer Model Act

Dear Messrs Garbarino and Moore,

We are writing this letter in support of the proposed Insurance Business Transfer Model Act (the "Model Act").

A significant amount of information has been provided to the Joint State-Federal Relations and International Insurance Issues Committee in favor of creating a Model Act. We understand that there have been some concerns raised from some life carriers that the proposed legislation could lead to an increase in insurance company insolvencies. These concerns are misguided. IBT legislation will primarily serve as a tool to assist in the normal business of insurance companies, where previously reinsurance or a company acquisition would have been used less effectively. In addition, the companies that choose to utilize the IBT framework will be subject to a greater level of regulatory oversight than the alternatives that exist today.

The proposed IBT legislation will not cause insolvencies; indeed, we believe that it could help to reduce potential insurance insolvencies by allowing companies the ability to divest non-core books of business to more efficient or solvent companies. Much like other regulatory processes, the Model Act is merely a framework, a restructuring tool that should be available in appropriate circumstances. The consumer protections in the Model Act are stronger than the current protections available in other types of insurance transactions, as they include additional regulatory approval, independent expert review, and the oversight and approval of the judiciary. The Model Act is merely one of several restructuring tools. If a proposed IBT transaction is not appropriate there are sufficient checks and balances in the process to prevent it from occurring.

The IBT framework has been used in Europe and the UK for over 20 years without any insolvencies. Insurers operating in the US need to be able to divest blocks of business through a mechanism such as the Model Act that will level the playing field for companies operating in each state to avoid being placed at a competitive disadvantage against their international peers.

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As such and for many of the reasons already presented to the Committee, we thank you for your support of the Model Act and look forward to its adoption.

Sincerely,

A handwritten signature in black ink, appearing to read "R J Redpath". The signature is written in a cursive, slightly slanted style.

Robert Redpath
Senior Vice President, Yosemite Insurance Company