

Date of Hearing: March 20, 2023

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

AB 844 (Gipson) – As Amended March 9, 2023

SUBJECT: Zero-emission trucks: insurance

SUMMARY: Requires the Department of Insurance (CDI) and the state air resources board (CARB) to coordinate on activities related to insurance policies for medium- and heavy-duty zero-emission vehicles. Specifically, **this bill:**

- 1) Requires CDI, in consultation with CARB, to create a tool for the public to use to readily find information and insurance options for battery-powered, hydrogen-powered, and/or other zero emission advanced truck technology to provide a “one-stop” for the public.
- 2) Requires CDI, in consultation with CARB, to provide an assessment of:
 - a) The availability and affordability of insurance for existing and emerging advanced fleet technologies being deployed for heavy-duty vehicles; and,
 - b) The role of insurance markets in meeting the greenhouse gas (GHG) reduction and short-lived climate pollutant emissions reduction goals of the state.
- 3) Requires, on or before January 1, 2025, CDI, in consultation with CARB, to create a strategy to address current and future insurance gaps for new heavy duty truck technologies, including consideration for establishing a risk pool and other tools to offer insurance to truck fleet businesses and individual truck owners who are unable to find insurance in the private insurance markets. Requires the strategy to include an evaluation of all of the following:
 - a) The number of companies offering insurance for zero-emission truck fleets, or individual zero-emission trucks, in the current market;
 - b) The impact of existing electric and hydrogen truck insurance policies on emission reductions from the heavy-duty truck sector;
 - c) Availability of actuarial loss data for electric and hydrogen trucks, or fleets of such trucks;
 - d) Coverage limits most appropriate for zero-emission truck fleets, based on the common size and characteristics of zero-emission trucking fleets;
 - e) Additional insurance related information, as specified; and,
 - f) Important timelines and specific checkpoints for monitoring insurance accessibility in advance of major regulatory deadlines for transitioning medium-and heavy-duty fleets to zero-emissions technologies, and state goals for increasing the percentage of zero-emission trucks and buses in the state.
- 4) Requires CARB to provide information necessary to support CDI in the development of the evaluation described above.

- 5) Requires CDI to implement specific data collections on the availability and affordability of insurance for heavy-duty trucks and truck fleets that utilize advanced fuels and related technologies, to better understand emerging markets important to the State's climate change goals, expand insurance options by establishing more robust data for consumers and insurers, and identify potential barriers to zero emission technologies in the transportation sector.
- 6) Requires the focus of the data collections to be zero-emission technologies that reduce GHG emissions and improve air quality when compared with conventional or fully commercialized alternatives, including those defined by CARB.
- 7) Requires CDI to issue a bulletin on or before February 1, 2024 to initiate the first data collection.
- 8) Requires admitted insurers to respond on or before May 1, 2024.
- 9) Requires data collections to include surveys and data calls from insurance companies licensed to write insurance through the admitted market.
- 10) Requires the surveys and data calls to include, but not be limited to, the following information:
 - a) Whether an insurance company offers insurance for zero emission truck options;
 - b) Loss experience information per claim over a specified time period, such as annually, including but not limited to:
 - c) Type of loss (may include both liability and physical damage type losses);
 - d) Type of medium- and heavy-duty truck;
 - e) Date of loss; and,
 - f) Amount of losses incurred and paid in United States dollars.
 - g) The number of vehicles covered under insurance policies;
 - h) Policy level experience including, but not limited to, premium per type of medium- and heavy-duty truck insured, the time truck is insured from effective start to end date of coverage, and type of coverage (may include both liability and physical damage type coverage); and,
 - i) Minimum, maximum, and average overall coverage limit of the policy, and per type of medium-and heavy-duty truck within a truck fleet.
- 11) Requires the information collected to be submitted to the commissioner and authorizes the commissioner to specify, by bulletin, the submission and reporting format.
- 12) Requires information submitted to the commissioner to be confidential and exempt from the California Public Records Act, states that the information is not subject to subpoena, and states that CDI employee testimony regarding contents of any submitted reports is inadmissible as evidence in a civil proceeding.

EXISTING LAW:

- 1) Provides for the regulation of insurance by CDI, which is under the control of the Insurance Commissioner. (Insurance Code (INS) 12921)
- 2) Establishes the Air Quality Improvement Program (AQIP), administered by CARB, with the primary purpose of funding, upon appropriation by the Legislature, air quality improvement projects relating to fuel and vehicle technologies that reduce criteria air pollutants, improve air quality. Also, funds research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies. (Health and Safety Code (HSC) 44274)
- 3) Creates the Clean Truck and Bus Program administered by CARB in conjunction with the State Energy Resources Conservation and Development Commission (CEC) and upon appropriation of funding requires the program to develop, demonstrate, pilot, and deploy zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies. (HSC 39719.2)

FISCAL EFFECT: Unknown

COMMENTS: The Legislature has set a number of goals to reduce GHG emissions and address climate change. The Global Warming Solutions Act of 2006, AB 32 (Nunez) Chapter 488, Statutes of 2006, and subsequent companion legislation SB 32 (Pavley) Chapter 249, Statutes of 2016 requires California to reduce statewide GHG emissions to 40% below the 1990 level by 2030. AB 1279 (Muratsuchi) Chapter 337, Statutes of 2022 establishes the policy of the state to achieve carbon neutrality as soon as possible, but no later than 2045. CARB is responsible for developing a Scoping Plan to detail how the state will achieve its GHG emissions reduction targets mandated by law.

Nearly 40% of California's GHG emissions are generated by the transportation sector, which includes both the light-duty (passenger) and medium- and heavy-duty fleets. Heavy-duty diesel trucks also contribute to unhealthy levels of ozone, inhalable particulate matter, carbon monoxide, NO_x, and sulfur dioxide, affecting local air quality. In the transportation sector, measures to reduce GHG emissions include requiring the use of low carbon fuels, cleaner vehicles, and strategies to promote sustainable communities and improved transportation choices that reduce growth in number of vehicle miles traveled.

CARB finalized the Advanced Clean Truck (ACT) regulation in June 2020. ACT accelerates a large-scale transition of zero-emission medium-and heavy-duty vehicles from Class 2b to Class 8. One of component of the regulation is a manufacturer sales requirement. Manufacturers who certify Class 2b-8 chassis or complete vehicles with combustion engines would be required to sell zero-emission trucks as an increasing percentage of their annual California sales from 2024 to 2035. By 2035, zero-emission truck/chassis sales would need to be 55% of Class 2b – 3 truck sales, 75% of Class 4 – 8 straight truck sales, and 40% of truck tractor sales.

To further the transition to a zero-emission fleet, at the end of 2020, Governor Newsom issued Executive Order (EO) N-79-20 which requires 100% of medium- and heavy-duty vehicles in the state be zero-emission by 2045 for all operations where feasible and by 2035 for drayage trucks. EO N-79-20 charges CARB with developing and proposing medium- and heavy-duty vehicle regulations requiring increasing volumes of new zero-emission trucks and buses sold and operated in the state towards that goal. CARB is in the process of finalizing the Advanced Clean Fleet (ACF) regulation, and the Board will be voting on the item in April 2023.

According to the bill's findings and declarations, "New technologies, without long histories of actuarial information, can face challenges finding insurance. Fleets adopting zero-emission technologies may be facing a limited market for insurance, which could slow deployment of zero-emission heavy-duty trucks. A robust data source can strengthen insurance markets by providing both consumers and insurers aggregated loss information to increase understanding of this emerging insurance market, identify potential barriers for expanding insurance options, and provide both the insurance regulator and air quality regulator with critical information to inform policy alternatives."

This bill would require CDI to implement specific data collections on the availability and affordability of insurance for heavy-duty trucks and truck fleets. This bill would require CDI, in consultation with CARB, to create a tool for the public to use to readily find information and insurance options for battery-powered, hydrogen-powered, or other zero-emission advanced truck technology to provide a "one-stop" for the public. The bill would also require CDI, in consultation with CARB, to create a strategy, on or before January 1, 2025, to address insurance gaps for new heavy-duty truck technologies.

Committee comments: Stakeholders have expressed concerns during the ACF rulemaking process about the availability of insurance options. This bill seeks to address these concerns and make sure that the state anticipates and removes potential barriers to the adoption of zero-emission medium- and heavy-duty vehicles.

According to the author, "By working with the Insurance Commissioner, [the state] will guide the availability and affordability of insurance for heavy duty trucks and truck fleets that utilize advanced fuels and related technologies. This is critical to better understand emerging markets important to California's climate change goals. This bill can strengthen insurance markets by providing consumers with important information, increasing understanding of insurance availability and affordability, identifying potential barriers for expanding insurance options, and providing both the insurance regulator and air quality regulator with critical information to inform policy alternatives. [This bill] addresses the existing data gaps by directing CDI to collect specific data."

In support the California Trucking Association writes, "Early adopters of zero-emission trucks have indicated that insurers were initially reluctant to underwrite them and, in some cases, only agreed to insure the partial value of the truck. Additionally, the cost to insure these trucks will increase dramatically. For instance, a used drayage truck could traditionally be acquired for \$50,000 and insured against physical damage for \$1,000-2,000/annually. A new zero-emission drayage truck, estimated to cost more than \$400,000, is projected to cost \$8,000-12,000/annually to insure. Nearly half the trucks on the road in California are operated by fleets with fewer than three vehicles. Accordingly, affordability and availability of insurance for zero-emission trucks

is a critical area for CARB and the Department of Insurance to study to ensure viability of California's climate agenda.”

Double referral: This bill is double referred to the Assembly Insurance Committee and will be heard by that Committee as it relates to issues under its jurisdiction.

REGISTERED SUPPORT / OPPOSITION:

Support

California Trucking Association

Calstart

Opposition

None on file

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