

April 16, 2014



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**To:** The Honorable Henry T. Perea, Chair  
The Honorable Curt Hagman, Vice Chair  
Members, Assembly Insurance Committee

**From:** Rex D. Frazier, President  
Michael A. Gunning, Vice President  
Kara Cross, General Counsel  
Manolo P. Platin, Senior Legislative Advocate

**Re:** AB 2064 (Cooley) Earthquake Insurance and Mandatory Offer

### **Assembly Insurance Committee Hearing, April 23, 2014**

#### **PIFC Position: Support if Amended**

The Personal Insurance Federation of California, representing seven of the nation's largest insurance companies (State Farm, Farmers, Liberty Mutual Insurance, Progressive, Allstate, Mercury and Nationwide) who collectively write a majority of the personal line auto and home insurance in California, **supports, if amended, AB 2064 Earthquake Insurance and Mandatory Offer by Assemblymember Cooley.**

AB 2064 attempts to modernize the California Mandatory Earthquake Insurance Offer that insurers are required to make to their homeowners' insurance policyholders. The current Mandatory Offer was last updated in the previous century and does not accurately reflect today's earthquake insurance offerings, particularly products by the California Earthquake Authority (CEA).

PIFC supports the continued operation of the CEA and has worked closely with the Authority on AB 2064. While PIFC is comfortable with this bill moving out of the Assembly Insurance Committee, there are several areas of note that will need to be addressed before we can support it:

#### *New Requirements for CEA Participating Insurers*

Beyond modernizing the Mandatory Earthquake Insurance Offer language, AB 2064 would require CEA member companies to additionally provide information to their policyholders about the availability and benefits of CEA coverage. Under this concept, insurers would send the newly required information to policyholders annually, with the costs of this marketing effort to be borne by the CEA. Delivery of the information could be made electronically, if the consumer has opted-in. Discussions on this language

#### *Technical Fixes and Operative Date*

The current version of AB 2064 reflects a good-faith effort by the stakeholders and the CEA to update and modernize the offer that is made to Californians when they purchase their homeowners' insurance. However, there are still various technical amendments that are necessary to ensure the requirements are workable and

adequate time is given to make the required system changes. Undertaking the changes needed to update the mandatory offer, develop new marketing material and the related IT and operational changes dictate that this bill should not become operative until 1/1/2016.

For this reason, PIFC **supports, if amended, AB 2064 Earthquake Insurance and Mandatory Offer by Assemblymember Cooley and urges your “aye” vote.** If you have any questions regarding PIFC’s position, please contact Manolo P. Platin at (916) 442-6646.

cc: Assemblymember Ken Cooley, Author  
Paul Riches, Principal Consultant, Assembly Insurance Committee  
Kevin Hanley, Consultant, Assembly Republican Caucus  
Gareth Elliot, Secretary of Legislative Affairs, Office of the Governor  
Robert Herrell, Legislative Director, California Department of Insurance