

Date: May 7, 2012

To: The Honorable Felipe Fuentes, Chair
The Honorable Diane L. Harkey, Vice Chair
Members, Assembly Appropriations Committee

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Kimberley Dellinger Dunn, General Counsel
Manolo P. Platin, Legislative Advocate

Re: AB 2406 (Buchanan) Insurance: Consumer Participation
As amended April 23, 2012

Assembly Appropriations Committee Hearing: May 9th, 2012

PIFC Position: Support

The Personal Insurance Federation of California, representing six of the nation's largest insurance companies (State Farm, Farmers, Liberty Mutual Group, Progressive, Allstate and Mercury) who collectively write a majority of the personal line auto and home insurance in California **supports AB 2406 Insurance: Consumer Participation by Assembly Member Buchanan.**

AB 2406 is a simple transparency provision requiring the Department of Insurance (the department) to provide to the public information about a person or group, purporting to represent the interest of consumers, who seeks intervention and compensation in a proceeding before the department.

Proposition 103, passed by California voters in 1988, changed the insurance regulatory environment in three key ways: it provided for an elected insurance commissioner, required home and auto insurers to seek prior approval of new insurance rates from the commissioner, and allowed consumer participation/intervention in proceedings of the commissioner.

Consumer participation, or intervention, is the process by which a consumer or a group may participate in a proceeding (for example, a rulemaking or an individual insurance company rate filing) and seek compensation for their time and associated costs. More than \$800,000 was awarded to such intervenors in each of the last two years. In 2009 insurers paid nearly \$2.5 million to intervenors.

As with much of Proposition 103, the "Consumer Participation" statute (Insurance Code Section 1861.10) is a framework, but it is through regulations promulgated by the department that the process has been detailed and defined over the years, specifically, in the California Code of Regulations Article 13: Intervention, and Article 14: Intervenor's and Participant's Fees and Expenses. Article 14, Section 2662.2 describes the requirements for a potential intervenor to be found eligible to seek compensation.

AB 2406 would require the department to post on their website all requests for finding of eligibility and all findings of eligibility to seek compensation as described in Section 2662.2. These eligibility regulations were drafted by the department and included an imposition upon itself to consider the requests and make findings determining eligibility. AB 2406 simply requires the information to be made easily available to consumers via the department's website. As intervenors represent consumers, this level of transparency seems reasonable.

For the reasons stated above, PIFC **supports AB 2406 by Assembly Member Buchanan and urges your "aye" vote.** If you have any questions regarding PIFC's position, please contact Kimberley Dellinger Dunn at (916) 442-6646.

cc: Assembly Member Joan Buchanan, Author
Julie Salley-Gray, Assembly Appropriations Committee
Kevin Hanley, Assembly Republican Caucus
Gareth Elliot, Secretary of Legislative Affairs, Office of the Governor



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