



STATE FARM  
FARMERS  
21<sup>ST</sup> CENTURY  
SAFECO  
PROGRESSIVE  
NAMIC

## MEMORANDUM

Date: May 15, 2007

To: Assembly Member Mark Leno, Chair  
Members, Assembly Appropriations Committee

From: Rex D. Frazier, President  
Michael A. Gunning, Vice President  
Ermelinda Ruiz, Legislative Advocate

Re: AB 1401 (Aghazarian): Insurance Fraud: Assessments  
As Amended April 17, 2007  
Assembly Appropriations Committee Hearing May 16, 2007  
**PIFC Position: Support with Concerns**

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The Personal Insurance Federation of California (PIFC), representing insurers who write over 50% of all personal lines insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, **supports the continued movement of Assembly Bill 1401**, authored by Assembly Member Aghazarian.

AB 1401 would help the California Department of Insurance (CDI) to fill 22 fraud investigator positions within the Fraud Division. At this time, however, AB 1401 would increase the current assessment on insurers to \$5100 from \$1300 to fund the costs of administration and operation of the Fraud Division of the CDI. This provision is troublesome because it will cause our California domestic insurers who operate in multiple states to pay a retaliatory fee in other states. One of our member companies will pay over \$220,000 to other states in retaliatory fees. The bill would also require the Fraud Division to annually post on the CDI's website the Division's investigative program performance.

Insurance fraud is something that cost every Californian. The members of PIFC take fighting fraud very seriously because it drives up the cost of insurance for everyone in the state. PIFC and our Special Investigations Units have a long history of working extensively with the CDI Fraud Division to prevent insurance fraud. PIFC supports the efforts of Commissioner Poizner and Assembly Member Aghazarian in their efforts to combat insurance fraud in California.

Recently the Fraud Division was recognized for their work. According to the Coalition Against Insurance Fraud in their *Fraud Bureau Report of 2007*, California continues to convict more insurance swindlers than any other state—one of every

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three insurance fraud convictions in the U.S. The golden state's fraud bureau logged a record 1,546 convictions, ahead of runners-up Florida (493), New York (450) and New Jersey (354).

For the above reasons, **PIFC is willing to support the continued movement of AB 1401** while we work toward a funding mechanism that will not disadvantage our California domestic insurers. If you have any additional questions regarding our position, please do not hesitate to contact Michael A. Gunning at (916) 442-6646.

cc: Assembly Member Aghazarian (Author)  
Mike Proso, Chief Deputy Legislative Affairs Secretary, Office of the Governor  
Julie Salley-Gray, Consultant, Assembly Appropriations Committee  
Assembly Republican Caucus  
Kathleen Webb, Office of the Insurance Advisor  
Marsha Jones, California Department of Insurance

4.AsmFI-5-07