

MEMORANDUM



Date: June 26, 2007

To: The Honorable Mike Machado, Chair
The Honorable George Runner, Vice Chair
Members, Senate Banking, Finance and Insurance Committee

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

Re: AB 1401 (Aghazarian): Insurance Fraud: Assessments
As Amended June 21, 2007
Senate Banking, Finance and Insurance Committee Hearing 7-2-07
PIFC Position: Support

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 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 by increasing the current assessment on insurers to \$5100 from \$1300. The increase would fund the costs of administration and operation of the Fraud Division of the CDI. The bill would also require the Fraud Division to annually post on the CDI's website the Division's investigative program performance and how many positions are being filled.

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 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 supports AB 1401**. 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
Erin Ryan, Consultant, Senate Banking, Finance and Insurance Committee
Tim Conaghan, Consultant, Senate Republican Caucus
Kathleen Webb, Office of the Insurance Advisor
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