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MEMORANDUM

Date: April 25, 2006
To: The Honorable Juan Vargas, Chair
Members, Assembly Insurance Committee
From: Rex D. Frazier, Vice President & General Counsel
Michael A. Gunning, Vice President
Michael A. Paiva, Senior Legislative Advocate
Re: AB 2400 (Benoit): Reinsurance
Assembly Insurance Committee – April 26, 2006 *As Amended April 20, 2006*
PIFC Position: Co-Sponsor/Support

The Personal Insurance Federation of California (PIFC), representing insurers who write nearly 50% of all personal lines insurance in California, including State Farm, Farmers, Safeco, 21st Century, Progressive and NAMIC, is proud to be a **co-sponsor of AB 2400** by Assembly Member Benoit.

AB 2400 proposes to conform California's credit for reinsurance law with the most recent version of the National Association of Insurance Commissioners' (NAIC) model act. By conforming California's law to the law suggested by the NAIC, California eliminates the potential that California-based insurers will be subject to a standard that diverges from that applied in other states.

In particular, AB 2400 accomplishes the following goals:

- Promotes consistent regulation throughout the United States by recognizing the authority of other states' insurance departments to regulate their domestic insurers and determine the reinsurance credit permitted.
- Eliminates the ability of the Insurance Commissioner to unilaterally require specific terms or provisions in reinsurance contracts, leaving such authority with the Legislature.
- Specifies that the California Department of Insurance only has the authority to regulate the credit for reinsurance taken by its own domestic insurers.
- Authorizes credit for reinsurance sold by a reinsurer from a U.S. state with laws substantially similar to California.
- Streamlines the California Insurance Department's regulatory review of trust agreements.

For all of the reasons noted above, **PIFC supports AB 2400 and urges your aye vote.** If you have any questions, please contact Michael A. Paiva at (916) 442-6646.

cc: Honorable John Benoit, Author
Chris Clay, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary for the Governor
Kathleen Webb, Office of the Insurance Advisor

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