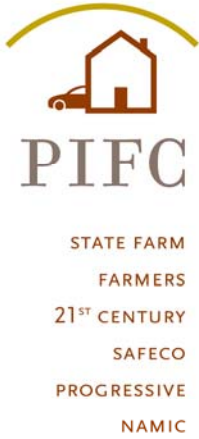


MEMORANDUM



Date: April 18, 2007

To: The Honorable Joe Coto, Chair
Members, Assembly Insurance Committee

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

Re: AB 797 (Committee on Insurance): Insurance agents
As Amended April 9, 2007
Assembly Insurance Committee Hearing: April 25, 2007
PIFC Position: Oppose

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, **strongly opposes Assembly Bill 797** authored by the Assembly Insurance Committee.

PIFC and its member companies oppose this bill on policy and procedural grounds. We strongly believe this bill, if enacted, would weaken the current licensing laws by creating a limited lines license that would prevent full consideration of a customer's individual needs. With fewer requirements to become a licensed agent, consumers will not receive the quality of service or assistance they deserve. PIFC recommends instead that the author consider amending the bill to create an auto-only license to address the need to encourage more individuals to purchase auto insurance. This type of license would allow the agent or broker to sell at any limit and at the same time give the customer the opportunity to purchase additional coverage if they choose. In addition, PIFC asserts that the bill, as drafted, is not appropriate to be a "committee bill."

A minimum limits agent may force the consumer into this limited product because the agent is not required to disclose to the consumer that other products and additional coverage exists. For some consumers this minimum limits coverage may be sufficient, while other customers may require additional coverage. Unfortunately, the limited license proposed in this bill will not protect the consumer as the consumer's needs grow. As the bill is currently drafted, minimum limits agents would not be allowed to sell a higher limits policy thereby potentially disadvantaging policyholders who obtain their initial product through a limited license agent-broker. Under this bill, the consumer will not be informed that they have the option to purchase a higher limits policy, increase their coverage and have the added protection they may need.

Implementing this bill will bring inferior service to a segment of the population who may not already be familiar with insurance as a product. The primary reason why many consumers choose to purchase insurance from a broker or an agent is because they are seeking personalized service. The agent-broker tailors the policy to the individual customer's needs and financial situation. In addition, the agent-broker may

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recommend to the customer that they may want to purchase additional coverage beyond the minimum limits coverage.

PIFC also suggests that if the intent behind creating a limited license is to bring more consumers into the market, the bill should specify that those agents and brokers holding a limited license should only be allowed to sell insurance to those people currently lacking insurance. In that way, individuals who already have insurance will not be locked-in to the limited insurance options provided by limited-license agents and brokers.

Under this bill, a minimum limits auto insurance agent will be prohibited from writing higher limit business, the insurance company will then be held accountable for ensuring that the minimum limits agent does not have access to the higher limit business. How will an insurance company monitor agents who hold this minimum limits license? PIFC believes that this bill as drafted would create significant ongoing compliance costs and exposure for the insurer.

PIFC would like the opportunity to work with the sponsor to craft language that would be suitable for both our members and the sponsor of the bill. At this time, PIFC and its member companies request that the bill be withdrawn as a committee bill based on the fact that it does not meet the procedural requirements necessary to make it a committee bill-which include non-controversial language and no opposition.

For the above reasons, PIFC strongly opposes AB 797 (Committee on Insurance). If you have any questions, please contact Ermelinda Ruiz at (916) 442-6646.

cc: Committee on Insurance (Author)
Mike Proso, Chief Deputy Legislative Affairs Secretary
Mark Rakich, Assembly Insurance Committee
Kevin Hanley, Consultant, Assembly Republican Caucus
Kathleen Webb, Office of the Insurance Advisor

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