



Personal Insurance Federation of California

California's Personal Lines Trade Association

REPRESENTING THE LEADING AUTOMOBILE AND HOMEOWNERS INSURERS

State Farm • Farmers • 21st Century Insurance Group • SAFECO • Progressive • NAMIC

MEMORANDUM

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Date: January 9, 2006

To: The Honorable Juan Vargas, Chair
Members, Assembly Insurance Committee

From: Michael Cassanego, Chair and Acting President
Rex D. Frazier, Vice President & General Counsel
Michael A. Gunning, Vice President
Michael A. Paiva, Senior Legislative Advocate

Re: AB 925 (Ridley-Thomas) – Insurance: Community Investments
Assembly Insurance Hearing – January 11, 2006
PIFC Position: Oppose – As Amended January 4, 2006

The Personal Insurance Federation of California (PIFC), representing insurers who write over 44% of all automobile insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, **opposes AB 925 authored by Assembly Member Ridley-Thomas as amended on January 4, 2006.**

AB 925 would require each California insurer to provide information annually to the Insurance Commissioner on its community development investments in California and require the Commissioner to make information about these investments available to the public. The bill also allows the Commissioner to promulgate regulations regarding the investment report, as well as charitable contributions and requires the industry to pay for implementation.

It is the Federation's contention that AB 925 is unnecessary because a recent data call by the California Department of Insurance (CDI) Commissioner has demonstrated that the insurance industry makes a significant contribution to California's low and moderate income communities. The California insurance industry is already the single largest investor in the California economy with over \$450 billion in total investments in the state's \$1.2 trillion dollar economy. This fact is bolstered by Commissioner Garamendi's September 29, 2005 press release that states, "The results of this survey are very encouraging and I commend the industry for its efforts to date." The Commissioner's press release further stated that the preliminary findings of a CDI survey showing that insurers have invested more than \$7 billion in underserved communities since 1996. AB 925 allows an insurer to report either as a part of the required annual filing under Section 923 of the insurance code or through a data call. It is our contention that since the Commissioner was able to get substantial information through the data call method, there is no need for the bill.

An annual report is not necessary, triennially reporting is satisfactory. It is also PIFC's position that the Commissioner should not have any additional authority to promulgate regulations. The bill is specific and there should be no additional authority. Further, regarding charitable contributions, grants are not community development investments and insurers do not make "grant" investments. Therefore, they should not be included.

For the above reasons, **PIFC opposes AB 925 as amended on January 4, 2006.** If you have any questions, please contact Michael A. Gunning at (916) 442-6646.

cc: Assembly Member Mark Ridley-Thomas, Author
Chris Clay, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary, Office of the Governor
Juan Gutierrez, Office of the Insurance Advisor