



August 29, 2013

Chris Ryan
Department of Finance
915 L Street
Sacramento, CA 95814

**Re: Proposed Regulations to Implement S.B. 617
Re Major Regulations
Comments of Personal Insurance Federation of California**

Dear Mr. Ryan:

On behalf of the members of the Personal Insurance Federation of California (“PIFC”), we appreciate the opportunity to provide comments to the Department of Finance (“Department”) regarding the above-referenced proposed regulations (“Proposed Regulations”).

PIFC member companies provide home, auto, flood and earthquake insurance for millions of Californians. Our member companies, State Farm, Farmers, Allstate, Liberty Mutual Insurance, Progressive, Allstate, Mercury and Nationwide, write the majority of home and auto insurance sold in this state.

PIFC commends the Department for all its efforts in drafting the Proposed Regulations. However, for the reasons set forth below, PIFC respectfully requests that the Department revise the Proposed Regulations in the following ways to improve their effectiveness and clarity:

- Revise the definition of “Economic Impact” to clarify that its scope includes entities doing business in California.
- Provide for public input in assisting the Department in determining if a regulation meets the definition of major regulation.

1. Section 2000(e)-- Definition of “Economic Impact”

The current version of the Proposed Regulations’ definition of “Economic Impact” lacks clarity in that it could be misconstrued to limit application of the Proposed

Regulations only to businesses domiciled in California, or having a principal place of business in California. The definition section states:

- (e) “Economic impact” means costs or benefits, both direct and induced, of the proposed major regulation on California business enterprises and individuals.

PIFC suggests the Department add a definition for “California Business Enterprise,” to affirm that it includes all entities conducting business in the state of California. To do otherwise, will result in the Proposed Regulations largely ignoring regulated industries that bring billions of dollars to California. For example, in California, the property/casualty insurance industry alone collected \$56.2 billion in direct premiums and incurred \$53.7 billion in claims losses and expenses in 2011. The majority of the industry, however, although directly contributing to California’s economy, is not domiciled in California. An Agency’s regulation could very well be a major regulation due to its financial impact on an industry/business, but be missed by the Department if the regulating agency separates out only the impact on businesses domiciled in the state. Allowing such a loophole will defeat the purpose of SB 617 -- to improve California’s business climate and put Californians back to work.

2. Section 2001. Notification; Public Input

PIFC commends the Department for providing for public input regarding alternatives from those who would be subject to or affected by major regulations. However, although the Proposed Regulations provide for public input in this regard, they miss a crucial juncture for providing public input at the beginning of the process when the initial determination is made as to whether a regulation qualifies as a “major regulation”. This misses the boat, in that the potentially impacted businesses and individuals are in the best position to educate agencies and the Department on a proposed regulation’s impact. Not having this important input could result in regulations that meet the definition of “major regulation” never coming to the Department’s attention, and allow for agencies to avoid a process important to California’s economy. PIFC strongly encourages the Department to include in its Proposed Regulations a mechanism for regulated businesses and individuals to provide input in the initial determination of whether a regulation is a major regulation. Agencies should have to consider input from potentially impacted parties to determine if their proposed regulations should be submitted to the Department as a major regulation. Additionally, a mechanism is needed to allow interested parties to request a Department of Finance analysis when a party believes an agency has failed to identify its proposed regulation as a “major regulation”. Such public input and Department analysis is necessary to prevent circumvention of the process and to support the purpose of SB 617, to improve California’s business climate.

Again, PIFC appreciates the opportunity to provide comments to the Department of Finance on these Proposed Regulations. If you have any questions or would like to further discuss PIFC’s comments, please contact Kara Cross at (916) 442-6646.