

## ASSEMBLY FLOOR ALERT



STATE FARM

FARMERS

LIBERTY MUTUAL GROUP

PROGRESSIVE

ALLSTATE

MERCURY

**Date:** August 20, 2012  
**To:** Members, California State Assembly  
**From:** Rex D. Frazier, President  
Michael A. Gunning, Vice President  
Manolo P. Platin, Legislative Advocate  
**Re:** SB 1212 (Calderon) Insurance  
As amended August 6, 2012

### **PIFC Position: Support**

The Personal Insurance Federation of California, representing six of the nation's largest insurance companies (State Farm, Farmers, Liberty Mutual Group, Progressive, Allstate and Mercury) who collectively write a majority of the personal line auto and home insurance in California, **supports SB 1212 Insurance, by Senator Calderon.**

SB 1212 (Calderon) is a modest step in modernizing California's Insurance Code to reflect the consumer demands of the 21<sup>st</sup> century. Consumers are currently shopping, purchasing and paying their insurance premiums over the internet on a regular basis, and we believe it is time to review the prohibitions on electronic communications that were put in place over a decade ago before secure online access, mobile phones and virtually limitless email inbox size was ubiquitous.

SB 1212 would allow for the renewal notices for home, auto, commercial and earthquake policies to be provided electronically if the consumer has decided to opt-in for electronic communications. Renewal notices are not bills, and existing law only requires such documents to be sent by US mail, with no assurance that the information is actually delivered to the policyholder.

### *SB 1212 Does Not Alter Existing Consumer Protections*

This bill would not change the long-standing consumer protections in existing law (CCC 1633.1 and CIC 38.5), but would simply add renewal documents to those eligible to be sent electronically if the consumer opts-in to that delivery method. Not surprisingly, many of today's insurance consumers and businesses conduct nearly all of their business through the use of secure, online websites facilitated by consistent email communications by their insurer to ensure email addresses remain valid.

In fact, California law prohibits electronic transmission of just nine insurance documents in the personal lines, and allows for electronic delivery of all other notices and disclosures. Many of these already eligible documents and disclosures are far more sensitive than the offer of renewal that today requires no affirmative response by the consumer. Furthermore, online billing has been a standard practice for a decade. This bill would allow for the added consumer benefit of expanded access and consolidated viewing/billing of all policies in one secure online portal.

### *Consumers Are Requesting Paperless Policies*

As the majority of commerce moves to an online platform driven largely by consumers, we believe it is appropriate to review prohibitions put into place in the 1990s. In that decade, the California Legislature passed the Uniform Electronic Transactions Act (UETA) which established uniform standards for conducting business electronically in California. Since then, almost every state has adopted similar laws to facilitate e-commerce. This act requires that a consumer must agree to have the transaction conducted electronically and cannot be compelled by the business to conduct the business electronically.

When the initial legislation was passed, the bill prohibited several insurance transactions from being conducted through the internet or e-mail, most dealing with cancellation or non-renewal of insurance policies. This bill would only impact offers of renewal.

### *SB 1212 Improves Reliability for Consumer Delivery of Electronic Documents*

SB 1212 would actually improve the delivery of renewal notices from existing law because, currently, such transactions are required only to be sent by mail, with no assurance that the information is actually delivered or received by the policyholder. This bill would allow the policyholder to have these notices handled by email or other electronic format, including company websites that contain all of their policy information. Because virtually all other commerce is available electronically today, insurance companies already utilize best practices to ensure validity of email addresses, including situations where, if an email is sent and returned as undeliverable, the consumer automatically reverts back to paper mailing. Contrast this with faulty mailing addresses, where it can take months before the consumer or insurer realizes that an important document has been sent to the wrong physical address. In fact, recent statistics show that the US Mail treats approximately 60% of its undeliverable mail “as waste” and discards it. [NOTE: US Mail data is from the U.S. Postal Service report entitled *The War on UAA – News on the UAA Front*, dated May 3, 2011, which summarizes the outcome of an independent study of undelivered as addressed (UAA) mail.]

Policyholders can already opt-out of electronic delivery at any time and nothing in the bill compels anyone from entering into that delivery method. Insurers have a great incentive to ensure their important communications are received by the consumer, in whichever format the consumer selects, which, unsurprisingly, is increasingly electronic.

For the reasons stated above PIFC **supports SB 1212 by Senator Calderon and urges your “aye” vote.** If you have any questions regarding PIFC’s position, please contact Manolo A. Platin at (916) 442-6646.

cc: Senator Ronald S. Calderon, Author  
Mark Rakich, Assembly Insurance Committee  
Kevin Hanley, Assembly Republican Caucus  
Gareth Elliot, Secretary of Legislative Affairs, Office of the Governor