



Date: August 2, 2012

To: The Honorable Felipe Fuentes, Chair
The Honorable Diane L. Harkey, Vice Chair
Members, Assembly Appropriations Committee

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Kimberley Dellinger Dunn, General Counsel
Manolo P. Platin, Legislative Advocate

Re: SB 1216 (Lowenthal) Reinsurance: Professional reinsurers
As amended May 7, 2012

Assembly Appropriations Committee Hearing: August 8, 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 1216 by Senator Lowenthal.**

SB 1216 would modernize state-based regulation of reinsurance by adopting key provisions that will allow the California Department of Insurance (CDI) to ensure appropriate financial solvency standards that ultimately protect consumers. This measure would enact the most recent version of the National Association of Insurance Commissioners (NAIC)'s model law on Credit for Reinsurance, passed by that body in 2011.

The federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 made sweeping changes to the financial industry, including significant changes to the oversight of reinsurers by state regulators. Reinsurance is insurance that is purchased by insurance companies as a means to transfer all or part of a risk to a different insurer, oftentimes for catastrophic events.

Among other things, SB 1216 would enact the following key changes:

- Reduce reinsurance collateral requirements for non-US licensed reinsurers domiciled in qualified jurisdictions.
- Authorize state evaluation of reinsurers that apply for certification and require posting collateral corresponding to the reinsurer's rating.
- Authorize the CDI to certify reinsurers and ensure that they are properly capitalized after a catastrophic event has occurred.

For the reasons stated above PIFC **supports SB 1216 by Senator Lowenthal and urges your "aye" vote.** If you have any questions regarding PIFC's position, please contact Manolo P. Platin at (916) 442-6646.

cc: Senator Alan Lowenthal, Author
Julie Salley-Gray, Assembly Appropriations Committee
Kevin Hanley, Assembly Republican Caucus
Gareth Elliot, Secretary of Legislative Affairs, Office of the Governor