

April 23, 2013

To: The Honorable Ronald S. Calderon, Chair
The Honorable Ted Gaines, Vice Chair
Members, Senate Insurance Committee

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Kara Cross, General Counsel
Manolo P. Platin, Legislative Advocate

Re: SB 251 (R. Calderon) Insurance: Notice: Electronic Transmission
As Amended, April 17, 2013



STATE FARM

FARMERS

LIBERTY MUTUAL
INSURANCE

PROGRESSIVE

ALLSTATE

MERCURY

Senate Insurance Committee Hearing, April 24, 2013

PIFC Position: Support

The Personal Insurance Federation of California, representing six of the nation's largest insurance companies (State Farm, Farmers, Liberty Mutual Insurance, Progressive, Allstate and Mercury) who collectively write a majority of the personal line auto and home insurance in California, **supports SB 251: Insurance: Notice: Electronic Transmission by Senator Calderon**

SB 251 would allow the renewal notices for home, auto, commercial and earthquake policies to be delivered electronically, provided that the consumer has decided to opt-in for electronic communications. Renewal notices are not bills, and existing law requires such documents only to be sent by US mail, with no assurance that the information is actually delivered to the policyholder.

SB 251 Does Not Alter Existing Consumer Protections

This bill would not change the long-standing consumer protections in existing law (CCC 1633.1) and, in fact, adds additional protections to the Insurance Code (CIC 38.5). Not surprisingly, many insurance consumers and businesses today 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.

Consumers Are Requesting Paperless Policies

As the majority of commerce moves to the 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 transactions conducted electronically and that they cannot be compelled to do so by a business.

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. Further, online bill pay has been a standard option for a decade, and this bill would allow for the added consumer benefit of expanded access and consolidated viewing/billing of all policies in one secure online portal.

SB 251 Improves Reliability for Consumer Delivery of Electronic Documents

SB 251 would 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 automatically reverting back to paper mailing if an email is sent and returned undeliverable by the consumer's email account. Contrast this with a faulty mailing address, which could take months for the consumer or insurer to realize that important documents are being sent to the wrong physical address. 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.]

Finally, this bill explicitly allows the policyholder to 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 is unsurprisingly, increasingly electronic.

We believe that this bill is a modest step in modernizing California's Insurance Code to reflect the consumer demands of the 21st century. Consumers are 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.

For these reasons, PIFC **supports SB 251: Insurance: Notice: Electronic Transmission by Senator Calderon 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 Ron Calderon, Author
Hugh Slayden, Consultant, Senate Insurance Committee
Tim Conaghan, Consultant, Senate Republican Caucus
Gareth Elliot, Secretary of Legislative Affairs, Office of the Governor