



March 27, 2015

Honorable Connie Leyva
Member, California State Senate
State Capitol, Room 4061
Sacramento, CA 95814

Re: SB 585 (Leyva) – Oppose Unless Amended

Dear Senator Leyva:

On behalf of the undersigned insurance trade associations, we must respectfully express concerns with SB 585, as introduced on February 26, 2015. While we applaud the intent of the legislation and are committed to identifying solutions to these initial objections, we must, at this point, oppose the bill, unless amended. We have two principal objections: 1) the details of turning a currently-voluntary program into a mandatory one need significant attention; and 2) the parties expected to comply with this new mandatory program, insurers, have had no meaningful input into this bill which is scheduled to be heard very soon.

The Details of this New Program Need Significant, Additional Consideration

SB 585, sponsored by the California Department of Insurance (CDI), muddies the water by introducing a mandatory program for which a procedure is “to be determined” at a later date, and grants the CDI too much discretion over the types of claims subjected to this mandatory withholding.

We strongly believe that SB 585, as written, may have the unintended consequence of disrupting the voluntary participation of insurers who currently willingly participate in the permissive Federal program. Further, many insurers which we represent have no prior experience with or understanding of how the voluntary program works. The mandatory nature of this program could cause significant hardship to smaller companies and offers no indemnity to participants who have been voluntarily collaborating. Furthermore, we understand that

several other states have enacted similar programs, yet we are concerned that a California specific program, even with only minor modifications to the Federal model would cause undue confusion and expense to insurers who conduct business in multiple states

A Rush to Committee Hearing Is Unfair to Stakeholders and Inconsistent with Deliberation

The insurers represented by the undersigned trade associations have not had an opportunity to meet with the sponsor of this bill or provide meaningful feedback. Now, we understand that draft amendments are apparently being considered and, a week and a half prior to a scheduled committee hearing, the sponsor has not even circulated the draft amendments shared with all of the interested parties. Therefore, it is somewhat difficult to understand exactly what is under discussion. Unfortunately, this forces us to request that the author voluntarily delay the policy committee hearing to enable interested parties to discuss, and hopefully resolve, the many open issues.

We would respectfully request an opportunity to collaboratively develop amendments that allay our concerns and fulfil the noble intent and goal of SB 585.

Sincerely,

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cc: The Honorable Richard Roth
Members, Senate Insurance Committee
Erin Ryan, Senate Insurance Committee
Tim Conaghan, Senate Republican Caucus
Mark Rakich, Assembly Insurance Committee
Robert Herrell, California Department of Insurance