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SENATE FLOOR ALERT Revised

Date: May 20, 2008

To: Members, California State Senate

From: Rex Frazier, President
Michael A. Gunning, Vice President
Kimberley Dellinger, General Counsel
Ermelinda Ruiz, Legislative Advocate

Re: SB 1059 (Migden) Vehicle Insurance: Aftermarket Parts
Senate Third Reading
As Amended April 22, 2008
PIFC Position: Oppose

The Personal Insurance Federation of California, representing insurers who write over 50% of the auto insurance sold in the state, including Farmers, aigdirect.com, Safeco, Progressive, State Farm and NAMIC, **is opposed to SB 1059 authored by Senator Carole Migden.**

SB 1059 would make it unlawful for any insurer to require the installation of an aftermarket part (engine and its components, cooling system, air condition system or corrosion protection), if the part to be replaced is under the existing original manufacturer's warranty; and limit payment to the cost of installing an aftermarket part on a vehicle when an original equipment manufacturer part is installed. This provision would apply to new vehicles during the first 3 years from the date of sale.

What are the damaging results of SB 1059?

Creates a Monopoly: Senate Bill 1059 would create a monopoly for auto manufacturers by allowing them to be the only source of repair parts for cars three years' old or newer. Economic history teaches us that lack of competition due to monopolies leads to higher costs -- in this case higher repair charges that will result in higher auto insurance premiums for all drivers.

Limits Choice & Raises Consumer Costs: Senate Bill 1059 would limit choices for claimants when having their car repaired. Accident victims would lose the ability to select high quality, lower cost alternative parts to help keep their repair bill down. They could also be subjected to a higher volume of their vehicles being "totaled out" as a result of these increased costs

Hits Low-Income Drivers Hardest: The passage of this legislation would mean that lower income drivers are going to be hit disproportionately hard, as increased costs for everyone are going to be spread across all accident claimants.

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The question to ask is, "What is the real consumer protection interest for this legislation?"

The answer is there is none.

For the foregoing reasons, **PIFC is opposed to SB 1059** and urges your "**no**" vote. If you have any questions regarding PIFC's opposition, please contact Michael Gunning at (916) 442-6646.

cc: Honorable Carole Migden, Author
Senate Appropriations Committee
Tim Conaghan, Consultant, Senate Republican Caucus
Mike Prozio, Chief Deputy, Legislative Secretary for the Governor
Kathleen Webb, Office of the Insurance Advisor
Senate Floor Analyses