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MEMORANDUM

Date: May 8, 2006

To: The Honorable Joe Dunn, Chair
Members, Senate Judiciary Committee

From: Rex Frazier, Vice President & General Counsel
Michael A. Gunning, Vice President
Michael A. Paiva, Senior Legislative Advocate

Re: SB 1492 (Speier and Cox) Automotive Body Repair: Insurance Claims
Amended: May 2, 2006
Senate Judiciary Committee: May 9, 2006
PIFC Position: Oppose

The Personal Insurance Federation of California (PIFC), representing insurers who sell 44% of all private passenger auto liability and property damage in California, including State Farm, Farmers, Safeco, 21st Century, Progressive and NAMIC, **opposes SB 1492** by Senator Jackie Speier.

SB 1492 would require the California Department of Insurance to establish a new "Rapid Dispute Resolution" program which would attempt to resolve disputes between insurance companies and their insureds over repairs to an automobile if the dispute is for \$7,500 or less and the minimum amount in dispute is \$500 or more.

PIFC is in opposition to the measure because we feel that there are several existing alternatives that are available to consumers who have complaints with auto repairs. In 1995, pursuant to a newly enacted law, the Department established a pilot program for the mediation to some types of disputes arising out of the Northridge earthquake of 1994 and subsequent earthquakes. In 2001, a law was passed expanding the mediation program to include certain disputes arising out of automobile collision or physical damage coverage. The program uses mediation to bring insureds and their insurance company together in an informal meeting with a qualified mediator in an attempt to resolve the dispute.

Claimants who are unhappy with their offer of settlement have many options already available to them: arbitration (under most insurance policies if the claimant is an insured), small claims court, superior court, and the mediation / complaint mechanisms through the Department. Also, last year the legislature passed AB 1459 (Canciamilla) which increased the limits for small claims court to the same level required by this bill - \$7,500. The vast majority of claimants have little or no problem with the current auto repair process. Their cars get fixed. Their insurer pays the bill.

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The bill would create a new bureaucracy within the Department to address complaints when there is already a formal complaint process in place. It is difficult to understand the need for the bill when the problem has not been clearly identified. It appears that the majority of complaints about the current process stems from one body shop in one region of the state and does not appear to be an issue in the rest of the state.

SB 1492 would require insurers that agree to participate in the program to be bound by a decision made by the Department, but an insured would not be bound by the ruling. It is difficult to understand the rationale for this provision given that lack of a definable problem that this provision would address.

We are willing to work with both authors and the auto repair industry to address issues surrounding the repair process and believe that a working group should be created to review the issues, determine the problem, and move towards a solution.

For all of the reasons stated above, **PIFC is opposed to SB 1492 and urges your no vote on this measure.** If you have any questions, please do not hesitate to contact Michael Gunning at (916) 442-6646.

cc: Senator Speier, Author
Senator Dave Cox, Author
Benjamin Palmer, Senate Judiciary Committee
Michael Petersen, Senate Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary for the Governor
Kathleen Webb, Office of the Insurance Advisor
Senate Floor Analyses

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