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MEMORANDUM

Date: April 29, 2011

To: The Honorable Lori Hancock, Chair
The Honorable Joel Anderson, Vice Chair
Members, Senate Public Safety Committee

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

Re: SB 49 (Strickland): Local Government: Emergency Response: Fees
As Amended April 27, 2011

Senate Public Safety Committee – Hearing May 3, 2011 PIFC Position: Support

The Personal Insurance Federation of California (PIFC), representing six of the nation's largest insurance companies (State Farm, Farmers, Liberty Mutual Group, Progressive, Allstate and Mercury) and one national trade association (National Association of Mutual Insurance Companies) who collectively write a majority of the personal line auto and home insurance in California, **supports SB 49 by Senator Strickland.**

SB 49 would prohibit cities and other local government entities from charging a fee to any person, regardless of residency, for the expense of an emergency response. The statute would track similar legislation passed over the last few years in at least 11 other states.

Police and fire services are vital government functions to every community. In fact, these services are recognized as the very public services these governmental entities are established to perform and for which costs are spread to the broader citizenry through taxation. A local government should not recover the costs of the very government services it was created to perform.

It is understandably tempting for local government, in difficult financial times, to be creative. Local governments throughout the state have been prompted by a private vendor, who provides not only a model ordinance, but an offer to be the tax collector (for a fee) and a promise of no unhappy constituents because (1)

the fee only applies to non-residents and/or (2) the insurance company will pay the bill, not the citizen.

The first issue, charging only non-residents, may not only be unconstitutional but it has potential negative impacts on a driver's safety record and therefore on a driver's insurance rates. It may also be detrimental to the local economy, as some cities have discovered. Both residents and non-residents contribute taxes to local communities throughout the state. The City of Sacramento recognized this recently when it repealed the passage of an emergency response fee prior to it going into effect.

The attempt by vendors to turn this into an insurance issue is inappropriate. By the terms of most insurance contracts, these types of fees are not covered. Vendors have admitted to "hiding" these fees within other cost categories, resulting in past payments. However, with the proliferation of these fees across the state, insurance companies began to see the resulting increase in payments, and with more careful review, are denying payment of these fees. This creates an uncomfortable situation for the insurer and their customer. Should the insurance companies change their contracts to pay these fees, the result would be a substantial increase in overall rates for all consumers in order to provide cost recovery to a local government charged with providing these very services.

And how far might these fees go? Many cities have the typical "accident response" for an auto accident. But what about charging for a police emergency call or a house fire? For a medical emergency? Will citizens begin to think twice, to hesitate in a critical moment, to call for help because they fear being billed for the response? These are basic, essential, government services - the very services for which a government exists to perform and which are paid for by broad tax assessments.

A prohibition of these fees, with limited exceptions of those currently authorized in state statute and proposed in SB 49, should be passed by this legislature.

For the foregoing reasons, **PIFC supports SB 49** and urges your "**aye**" vote. If you have any questions regarding PIFC's position, please contact Kimberley Dellinger Dunn at (916) 442-6646.

cc: Honorable Tony Strickland, Author
Mary Kennedy, Senate Public Safety Committee
Eric Csiznar, Senate Republican Caucus
Gareth Elliott, Secretary of Legislative Affairs, Office of the Governor
Randall Ward, Director, Office of the Insurance Advisor