

October 5, 2007

The Honorable Ronald M. George, Chief Justice,  
And the Honorable Associate Justices  
California Supreme Court  
350 McAllister Street  
San Francisco, CA 94102-7302

**RE: *Amicus Curiae* Letter in Support of Petition for Review  
*Harris v. Superior Court (Liberty Mutual Insurance)* (Case No. S156555)**

Dear Chief Justice George and Associate Justices:

This letter is respectfully submitted by the Association of California Insurance Companies (ACIC), the Personal Insurance Federation of California (PIFC), the American Insurance Association (AIA), and the Pacific Association of Domestic Insurance Companies (PADIC) in support of the Petition for Review filed by Liberty Mutual Insurance Company seeking review of the above-referenced decision.

ACIC is an affiliate of the Property Casualty Insurers Association of America (PCI) and represents more than 300 property/casualty insurance companies doing business in California. ACIC member companies write 41.8 percent of the property/casualty insurance in California. PCI is composed of more than 1,000 member companies, representing a broad cross-section of insurers throughout the country.

PIFC is a non-profit insurance trade association dedicated to representing its member companies' interest before governmental bodies, including the California Legislature, the Insurance Commissioner, and the California courts. PIFC's members are insurers specializing in personal lines insurance, primarily private passenger automobile and homeowners insurance, in California and elsewhere. In addition, the National Association of Mutual Insurance Companies (NAMIC) is an associate member of PIFC. PIFC's members account for approximately 48.7% of all personal lines insurance sold in California.

AIA is a national trade association representing more than 435 property and casualty insurers that write insurance in every jurisdiction in the United States. U.S. premiums for AIA member companies exceed \$120 billion annually. AIA member companies offer all types of property and casualty insurance, including personal and commercial motor vehicle insurance, commercial property and liability coverage, workers' compensation, homeowners insurance, medical malpractice coverage and product liability insurance. AIA companies, for personal and commercial lines of business, in California write over \$17 billion in premiums, comprising more than 28% of the insurance market.

PADIC is an association of small to midsize domestic property and casualty insurers in California who write approximately \$1 billion in premium through the independent agency system.

In 2001 insurers supported the Petition for Review filed by Farmers Insurance Exchange in *Bell v. Farmers. Ins. Exchange* (87 Cal.App.4<sup>th</sup> 805). The thrust of that letter was concern about the negative impact of the decision on the widespread and generally accepted practices relating to classification of claims adjusters throughout the insurance industry. The magnitude of that impact has not abated. However, with the passage of time between that case and the present one, a new issue has arisen that merits this Court's attention.

During the interim period, the California Industrial Welfare Commission (IWC) adopted a wage order which expressly incorporates parallel federal regulations in order to promote uniformity of enforcement under state and federal law. As discussed in the Petition for Review, the appellate court's interpretation of the California Wage Order contradicts the plain meaning of federal regulations by, in effect, abolishing the administrative exemption for most employees. Under the federal regulation (29 C.F.R. §541.205(c)), the administrative exemption is much broader in scope than the appellate court's interpretation herein. The scope of the federal regulation validates the Liberty Mutual approach to classifying claims adjusters that is at issue here.

Insurers who operate nationally, or even those who operate in more than a single state, view uniformity of statutory and regulatory interpretation as critical to functioning in a financially efficient manner in conducting their business of insurance. California, of course, is the major property/casualty insurance market in the United States. As such, California should seek to achieve and assure uniformity in the interpretation and application of laws and regulations so that insurers – as well as other businesses that would be affected by the decision underlying this petition – may operate efficiently. That uniformity benefits businesses, employees and consumers. The opposite state of business affairs – inconsistent standards -- serves only to complicate business operations and could result in higher costs of providing insurance to consumers.

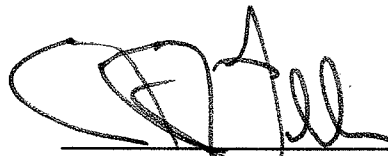
ACIC, PIFC, AIA, and PADIC respectfully request this Court to grant the Petition for Review on file herein to resolve an issue that, absent such resolution, will impair the efficient operation of companies doing business in California.

Very truly yours,



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Steven Suchil  
Assistant Vice President  
American Insurance Association  
State Bar No. 96143



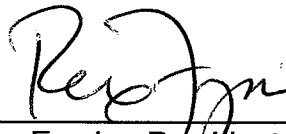
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