



Personal Insurance Federation of California

California's Personal Lines Trade Association

REPRESENTING THE LEADING AUTOMOBILE AND HOMEOWNERS INSURERS

State Farm • Farmers • 21st Century Insurance Group • SAFECO • Progressive

MEMORANDUM

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Date: June 9, 2003

To: The Honorable Martha Escutia, Chair
Members, Senate Judiciary Committee

From: Dan C. Dunmoyer, President
G. Diane Colborn, Vice President of Legislative and Regulatory Affairs
Michael Gunning, Senior Legislative Advocate
Dan Chick, Senior Legislative Advocate

Re: AB 1096 (Harman): Vehicles: Lienholder.
Senate Judiciary Committee Hearing: June 17, 2003
PIFC Position: Support

The Personal Insurance Federation of California, representing insurers who write nearly 35% of the personal lines insurance policies in California, including State Farm, Farmers, SAFECO, 21st Century Insurance Group, and Progressive Insurance Company, **supports AB 1096** by Assemblyman Harman.

The issue of vehicle lien holder fees is a matter that affects both consumers and insurance companies. Under existing law, when a towing company transports a vehicle the owner has 72 hours to recover it before a lien is attached. Once a lien is attached to the vehicle, California law authorizes the lien holder to charge a modest fee to recoup expenses for preparing the vehicle for sale. The problem with the current situation is that there is no evidence that any type of notification is given to the vehicle's owner or their insurance company when these costs have been incurred. In practice, the fee is added on automatically to the tow bill. There is nothing within existing law that provides the consumer or their representative with the ability to check or verify that these fees are appropriately owed in total or in part. AB 1096 would require tow companies to demonstrate their incurred expenses to consumers and insurance companies when a lien has been attached. We agree a fee should be charged, but we also believe that the party asserting the lien should be required to demonstrate their incurred expenses.

AB 1096 is not designed to eliminate or change the lien holder fee but to make current law consistent with the perceived legislative intent of the original enactment. It is our belief that the legislature intended that a fee could be charged, but only when there has been actual cost for filing the lien. The additional charge, while small, should not be automatic. The law provides no protection for the consumer and the proposed changes would provide some degree of fairness.

In addition, AB 1096 would increase the amount of time to redeem the car from 72 hours to 3 business days. This change is necessary to ensure that a vehicle is not towed on a Friday and a lien attaches before the owner or their agent is able to reclaim it on Monday. This is particularly important where a consumer or insurer is responsible for recovering the vehicle or there is another reason the owner must wait until the next business day to recover the vehicle.

The Assembly amendments removed any concerns with the bill. **AB 1096 has not received any votes in opposition and is a strong candidate for the consent calendar.** For all of these reasons, PIFC **supports AB 1096** and urges a yes vote on the bill when it is heard in committee. If you have any additional questions regarding our position, please do not hesitate to contact Michael A. Gunning at (916) 442-6646.

cc: Honorable Tom Harman, Author
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Michael Yang, Senate Judiciary Committee
Cynthia Bryant, Senate Republican Caucus

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