



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 • NAMIC

FLOOR ALERT

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Dan Dunmoyer
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Rex D. Frazier
Vice President & General Counsel

Michael Gunning
Senior Legislative Advocate

Michael Paiva
Senior Legislative Advocate

Jerry Davies
Director of Communications

Date: May 31, 2005

To: Members of the California State Assembly

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

RE: AB 1183 (Vargas): Insurance Fraud
As Amended May 3, 2005
Assembly Third Reading File
PIFIC Position: Oppose unless amended

The Personal Insurance Federation of California (PIFIC), representing insurers who write over 50% of all personal lines insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, is **opposed unless amended to AB 1183** authored by Assembly Member Vargas.

PIFIC does not necessarily oppose the intent of AB 1183 which appears to be a technical clean up effort to a few workers' compensation fraud issues for the Department of Insurance. However, PIFIC is opposed to the extension of the funding for the California Department of Insurance Fraud Division and the Organized Automobile Fraud Activity Interdiction Program without a more thorough review of the program.

The extension of the fraud fees is a significant issue for PIFIC and our member companies. The CDI recently had two critical audits by the Bureau of State Audits (BSA) on their handling of workers' compensation fraud and auto fraud investigations. Further, per the Department's own memo, the backlog of 4000 consumer complaint cases was to be cleared by December 2001. The BSA's June audit stated that the Department has only achieved a 51% reduction of these cases – five years later! Consumer Affairs and the Fraud Division's performance are an integral part of the CDI's work. These fees should not be extended without a critical analysis of the Consumer Affairs Department and the Fraud Department's performance. The reduction of consumer complaints and investigation of fraud is too important to simply extend these fees without any further inquiry. It is not good public policy and warrants an interim hearing.

For the reasons stated above, **PIFIC is opposed unless amended to AB 1183** by Assembly Member Vargas. If you have any questions, please contact Michael Gunning at (916) 442-6646.

cc: Chris Ebbink, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary, Office of the Governor
Scott Reid, Office of the Insurance Advisor

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