



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: April 28, 2003

To: The Honorable Juan Vargas, Chair
Members, Assembly Insurance Committee

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

Re: AB 1191 (Wiggins): Property Insurance: Rates: Disclosure
Assembly Insurance Committee Hearing: April 30, 2003
PIFC Position: Oppose

The Personal Insurance Federation of California, representing insurers who write over 30% of the personal lines insurance policies sold in California, including State Farm, Farmers, SAFECO, 21st Century Insurance Group, and Progressive Insurance Company, **opposes AB 1191** by Assemblymember Wiggins.

AB 1191, as amended, requires an insurer to inform an insured of:

- The nonrenewal of a policy or any increase or decrease in an annual premium as compared to the previous year.
- The reasons for the premium change or nonrenewal.
- The telephone numbers where the insured may register complaints.

Although this is a laudable goal, this bill is duplicative of existing law and would create an undue financial burden on the insurance industry and California consumers. Under Section 678 of the California Insurance Code, current law already requires insurers to send renewal notices and nonrenewal notices, and to inform the policyholder in writing that by written request they can obtain the reasons for a nonrenewal. An insurer then has 20 days after receiving such a request to provide the reasons in writing why a policy is being nonrenewed.

In particular, the provision of AB 1191 requiring insurers to explain the reasons for every change in premium, expressed on an annualized basis, and a comparison with the premium charged in the previous year, would be extremely costly and labor intensive for insurers. Notwithstanding the cost for reprogramming the computer systems to handle these calculations, the sheer magnitude of the effort would be prohibitive. The added cost would easily be in the millions of dollars per year since it would essentially require the company to hand rate every policy. This added cost is entirely unnecessary, since the policyholder can already obtain this information *upon request* simply by calling their agent. The typical renewal offer already includes the agent's name and number, and encourages the policyholder to contact their agent if they have questions.

In addition, the provisions of AB 1191 are vague and ambiguous, and do not provide sufficient specificity for insurers to know how much information or what types of information would satisfy the disclosure requirements. For instance, would providing the agent's name and phone number satisfy the requirement to provide a telephone number for customer complaints? Would a statement that the insurance commissioner has approved an across the board rate increase due to increased claims costs be sufficient to satisfy the requirement that the policyholder be informed of the reasons for any change in premium?

For all these reasons, **PIFC opposes AB 1191 and urges a no vote** on the bill when it is heard in committee. Thank you for your consideration of our views. If you have any questions regarding PIFC position, please do not hesitate to contact Diane Colborn at (916) 442-6646.

cc: Honorable Patricia Wiggins, Author
Ann Richardson, Deputy Legislative Secretary, Governor's Office
Chris Ebbink, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus