



# 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

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## MEMORANDUM

**Date:** May 5, 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 A. Gunning, Senior Legislative Advocate

**Re:** AB 1318 (Maddox): Automobile Insurance  
Assembly Insurance Committee Hearing: May 7, 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, 21<sup>st</sup> Century Insurance Group and Progressive Insurance Company, **supports AB 1318** by Assemblyman Maddox. This bill will provide a simple, technical clarification to Insurance Code section 1861.025 regarding principally at-fault accidents.

Existing law, Insurance Code Section 1861.025, outlines the criteria for qualification to purchase a good driver discount policy. Accidents wherein the insured is determined to be principally at fault affect eligibility for a good driver discount. Regulations adopted by the Department of Insurance pursuant to this statute require an insurer to advise their policyholder of their percentage of fault and the percentage of fault for the other involved parties if the insurer determines that a surcharge is appropriate.

AB 1318 would change the existing regulation from notifying insureds of the specific percentage of fault allocated to the insured and to the other driver(s) involved back to a standard of 51% determination. A 51% determination is all that is necessary for statutory rating purposes. The insurance industry would like to protect their insureds' interests and not make specific allocations of percentage of fault a required part of the communication to the insured.

Members of the insurance industry have expressed concern over this regulation. For example, because of the requirement to specify fault, there is a strong likelihood that insureds may dispute the allocation with increased frequency when in fact the dispute may be irrelevant for purposes of removing a discount or adding a surcharge. For instance, a determination of whether an insured is 70% or 80% at fault makes no difference since the rating level will increase either way.

There is also a concern that insurers would be making an admission of fault against the interests of their own insureds. For example, the fault determination on a property damage claim may be decided long before the bodily injury claim is settled. The

determination of fault letter with the percentages specified, if entered into evidence could be strong proof of an insured's liability.

For all these reasons, **PIFC supports AB 1318** and urges an aye 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 Michael A. Gunning at (916) 442-6646.

cc: Honorable Ken Maddox, Author  
Ann Richardson, Deputy Legislative Secretary, Governor's Office  
Chris Clay, Assembly Insurance Committee  
Kevin Hanley, Assembly Republican Caucus