



# 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 27, 2003

**To:** The Honorable Jackie Speier, Chair  
Members, Senate Insurance 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 1598 (Corbett): Seismic Safety: Insurance: Retrofitting.  
Senate Insurance Committee Hearing: July 2, 2003  
PIFC Position: **Oppose Unless Amended**

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The Personal Insurance Federation of California, representing insurers who write over 40% of the homeowners' insurance policies sold in California, **opposes unless amended** AB 1598 by Assembly Member Corbett.

AB 1598 extends the sunset date for the Earthquake Grant and Loan Program until July 1, 2007 and appropriates \$2,900,000 from the California Residential Earthquake Recovery Fund (CRERF) for the program. PIFC believes this bill should be amended to include \$884,000 in funding for the California Seismic Safety Commission.

PIFC is opposed to the efforts undertaken by the Governor to transfer the costs of the California Seismic Safety Commission from the General Fund to the Insurance Fund by placing assessments on commercial and residential earthquake policyholders. It is our opinion that imposing the cost of funding the Seismic Safety Commission solely on earthquake policyholders constitutes an illegal, unfair tax on one group of Californian taxpayers. There is no direct regulatory benefit nor does this seem to be a "Sinclair-type" fee. Instead, we believe that the funding for the Seismic Safety Commission should come from the funds available in CRERF. CRERF, originally was an earthquake fund intended to pay first dollar coverage for an earthquake. It was bankrupt on the day it was enacted. The funds left over from CRERF should be used to mitigate the loss of earthquakes. This purpose is consistent with the purpose of the Seismic Safety Commission which is also to reduce earthquake risk.

Secondarily, it is also our belief that the action undertaken by the Governor may also jeopardize the California Earthquake Authority's (CEA) tax exempt status. Creating an account that is funded by assessments imposed on California consumers as a prorated percentage of premiums earned on both residential and commercial earthquake policies violates the original intent of the IRS that required the State of California to commit resources to the CEA (not take resources) and thereby could jeopardize the CEA's tax exempt status. Insurers have always opposed legislation that would harm the CEA's tax exempt status because it will increase costs for consumers and decrease the financial stability of the CEA. Therefore, the best solution is to fund the Commission from the CRERF and not as a "tax" upon earthquake policyholders.

For the above stated reasons, PIFC urges your **no vote on AB 1598** when it is heard in committee unless it is amended to address our concerns. If you have any questions regarding our opposition, please feel free to call Michael A. Gunning at (916) 442-6646.

cc: Honorable Ellen Corbett, Author  
Ann Richardson, Office of the Governor  
Richard Figueroa, Office of the Governor  
Senate Insurance Committee  
Peter Colin, Senate Republican Caucus  
Senate Floor Analyses