



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

MEMORANDUM

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Date: April 28, 2005

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

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 1640 (Saldaña): Insurance Claims Information
Assembly Insurance Committee Hearing: May 4, 2005
PIFC Position: Oppose Unless Amended

The Personal Insurance Federation of California (PIFC), representing insurers who write over 50% of all personal lines insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, **opposes unless amended AB 1640** authored by Assembly Member Saldaña.

AB 1640 requires an insurer to provide each insured a copy of any "claim report" the insurer is submitting for inclusion in a claims information database. There are a few problems with this concept:

- ◆ The notification from an insurer to such a database is done electronically through a highly-automated process. The notification's scope is limited, essentially telling a claims information database the date and status of a particular insured's claim and the type of coverage involved. AB 1640 does not define the term "claim report," so we are assuming the author intends that all information transmitted to a database be replicated for this notification. In essence, AB 1640 would require an insurer to generate a custom notification informing an insured that he or she has made a claim, along with all amounts paid, all of which such insured already knows.
- ◆ AB 1640 does not specify how a carrier should deliver such a custom notification. Should a carrier obtain an insured's e-mail address during the claim process and devise a means of duplicating the electronic process originally used to communicate with the database? Or should a carrier employ regular mail, which would entail incredible costs for manual labor, paper costs, and postage? Both options require large expenditures.
- ◆ Such a costly notification is not necessary because insureds already have access to information kept about them in a claims information database. In addition, the California Standard Form Fire Insurance Policy (Ins. Code §2071) requires a carrier to provide an insured with all non-privileged, claim-related documents such as carrier's files

upon fifteen days' notice. Requiring carriers to devise a custom notification system regarding information to which insureds already have access unnecessarily adds costs to the claims adjustment process and leads to upward rate pressure.

- ◆ AB 1640 may unintentionally discourage insureds from filing claims in the future. A special notice required by AB 1640 will likely be perceived by claimants as a warning that their recent claim will be held against them in the future and decrease the likelihood of future, legitimate claims.

We understand the author intends to amend AB 1640 to, instead, require an insurer to notify its insureds that claims and loss history information is reported to an insurance-support organization, along with information on how an insured can contact the insurance-support organization. We would appreciate such an approach and look forward to an opportunity to review AB 1640 in such an amended form.

For the above reasons, PIFC opposes AB 1640 unless amended to address our concerns. If you have any questions, please contact Rex D. Frazier at (916) 442-6646.

cc: Assembly Member Lori Saldaña, Author
Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Richard Costigan, Legislative Secretary, Office of the Governor
Cynthia Bryant, Deputy Legislative Secretary, Office of the Governor
Scott Reid, Office of the Insurance Advisor

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