



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 12, 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 A. Gunning, Senior Legislative Advocate
Dan Chick, Senior Legislative Advocate

Re: AB 1729 (Vargas): Insurance: Solvency
Senate Insurance Committee Hearing: June 18, 2003
PIFC Position: Support if Amended

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, 21st Century Insurance Group, and Progressive Insurance Company, **supports, if amended, AB 1729** by Assemblyman Vargas.

AB 1729 expands the ability of California Insurance Guarantee Association (CIGA) to issue bonds to pay claims and related expenses that arise as a result of insolvencies of insurance companies providing workers' compensation insurance. Under current law CIGA has bonding authority to pay the covered claims of insolvent insurers stemming from a natural disaster loss.

The Personal Insurance Federation understands the need to ensure that CIGA has the financial capacity to pay claims as needed, especially in today's difficult workers' compensation marketplace. Nonetheless concerns have been raised that the bill is silent as to which line of insurance is responsible for repayment of the bond's principle and interest. Customarily, insolvencies that result in CIGA assuming responsibility for covered claims are paid for by the CIGA surcharge on the line of business that triggered the insolvency. The Personal Insurance Federation and their member companies are seeking an amendment to AB 1729 to explicitly state that the bond repayment obligation is the responsibility of workers' compensation carriers through the traditional CIGA assessment process.

CIGA has indicated its intent to take an amendment in committee to clarify that repayment of the bond envisioned in this bill shall be the sole responsibility of the workers' compensation CIGA surcharge.

If this concern is addressed, PIFC would **support AB 1729** and would urge an aye vote on the bill. If you have any questions regarding this position, please do not hesitate to contact Dan Chick at (916) 442-6646.

cc: Honorable Juan Vargas, Author
Ann Richardson, Office of the Governor
Richard Figueroa, Office of the Governor
Brian Perkins, Senate Insurance Committee
Senate Republican Caucus

