



# 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 22, 2004

**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 2399 (Liu): Homeowners' Insurance: Dog Breeds  
Assembly Insurance Committee Hearing: May 5, 2004  
**PIFC Position: Oppose Unless Amended**

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The Personal Insurance Federation of California, representing insurers who write nearly 45% of the homeowners' insurance policies sold in California **opposes AB 2399** by Assembly Member Liu unless it is amended.

As introduced, AB 2399 would prohibit an insurer from refusing to issue or renew a homeowners' insurance policy based upon the breed of dog owned by the applicant or insured. Although AB 2399 would permit an insurer to charge a higher rate for a particular breed of dog if supported by actuarial data, the bill would mandate the insurer to offer a rate discount if the dog has passed the test for the American Kennel Club "Canine Good Citizen" certification. The bill does not require the existence of actuarial data to support the discount.

Dog bite claims are a significant factor in insurance claims costs, totaling more than \$345 million in claim payments in 2002, according to the Insurance Information Institute. The number of dog-related fatalities does differ significantly by breed. A 1999 study by the Centers for Disease Control found that 65.8% of all dog bite fatalities involve pit bulls, rottweilers, and german shepherds. Another study that looked at claims data on dog-bite related fatalities from 1979 to 1996 found that pit bulls were involved in 60 fatalities, rottweilers 29, and german shepherds 19, as compared to 8 for chow chows and 4 for St. Bernards. The Centers for Disease Control estimates that 10 to 20 people die from dog bites every year, the majority of whom are children. Most of the adults who die from dog bites are elderly. There are more dog-bite related deaths in California than in any other state. The fact that some insurers take a closer look at some dogs or may be more restrictive in their requirements promotes public safety and encourages dog owners to take greater responsibility for controlling their dogs.

PIFC opposes AB 2399 unless amended for several reasons. First, AB 2399 is a solution in search of a problem since dog owners can find insurers in California who will sell them an insurance policy without consideration of the particular breed of dog. Most insurers will look at the history of the particular dog rather than merely at the breed of the dog. Some insurers have a "one bite's on us" rule, meaning that a policy will be issued and liability for the dog will be covered if there has been no prior incidents of dog bites. However, once an incident occurs the dog will be excluded. Even insurers who do consider the breed of

dog as a factor will not typically reject the policy on that basis alone, but may require additional safeguards such as fencing and restraints. A dog owner who has been turned down by a particular insurer solely on the grounds that they own a dog of a particular breed that is known to have a greater propensity to attack humans, such as a pit bull or rottweiler, should shop around to find another insurer who does not have such an underwriting guideline. If the dog has a history of being vicious, finding coverage will likely be more difficult which is as it should be. We are not aware of any evidence that there is a serious availability problem for homeowners of dogs who have no history of maliciousness.

Second, PIFC opposes the provision of AB 2399 that would mandate a discount for dogs who pass the test for a "Canine Good Citizen" certificate because there may be insufficient actuarial evidence to justify such a discount. Under Proposition 103, insurance rates must not be excessive, inadequate, or unfairly discriminatory. Rates must be cost-based, which means they must be based on the projected risk of loss. Moreover, since this bill would affect the rates charged for insurance it should have been tagged as a two-thirds vote bill, as in affect an amendment to Proposition 103. In addition, although the bill would require actuarial data to support the charging of a higher rate for a specific breed of dog, it would not require actuarial data to support the mandated discount. If a discount is mandated without sufficient actuarial justification, other policyholders who do not own such dogs will have to pay higher rates in order to subsidize those who do.

For these reasons, **PIFC opposes AB 2399 unless amended** to address these concerns. If you have any questions regarding our position, please contact Diane Colborn at (916) 442-6646.

cc: Assembly Member Liu, Author  
Annabelle Chang, Assembly Insurance Committee  
Kevin Hanley, Assembly Republican Caucus  
Cynthia Bryant, Office of the Governor  
Scott Reid, Office of the Insurance Advisor