



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: April 27, 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 2444 (Dutton): Property Insurance: FAIR Plan
Assembly Insurance Committee Hearing: May 5, 2004
PIFC Position: Support

The Personal Insurance Federation of California, representing insurers who write nearly 45% of the homeowners' insurance policies sold in California **supports AB 2444** authored by Assembly Member Dutton. AB 2444 would provide for an annual report to the Legislature from the California FAIR Plan on the number of FAIR Plan policies in force and probable maximum losses in very high fire hazard zones.

The California FAIR Plan is the market of last resort in brush areas for property owners who have not been able to find homeowners insurance coverage through the normal private market. All property insurers are required to participate in the California FAIR Plan, which provides a basic bare bones policy. Ideally, in competitive, well-functioning markets, residual market mechanisms like the California FAIR Plan should have a relatively low number of policies as compared to the private market. The total number of policies in force and the probable maximum losses under the FAIR Plan can be an indicator of availability in the voluntary market and of the overall stability of the property insurance market.

After the tragic fires in Southern California last fall, legislators and the administration have also been focusing on what needs to be done to reduce the fire risk to homes in the wildland/urban interface areas. The FAIR Plan data on policies in force and probable maximum losses will be useful information in evaluating the progress on these issues as well.

For the reasons stated above, PIFC **supports AB 2444 and urges a yes vote** when this bill is heard in committee. If you have any questions regarding this position, please contact Diane Colborn at (916) 442-6646.

cc: Assembly Member Dutton, Author
James Anderson, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Cynthia Bryant, Office of the Governor
Scott Reid, Office of the Insurance Advisor