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: May 3, 2004

To: The Honorable Ellen Corbett, Chair
Members, Assembly Judiciary Committee

From: Dan C. Dunmoyer, President
G. Diane Colborn, Vice President of Legislative and Regulatory Affairs
Michael A. Gunning, Senior Legislative Advocate

RE: AB 2715 (Reyes): Outsourcing
Assembly Judiciary Committee Hearing: May 4, 2004
PIFC Position: Oppose

The Personal Insurance Federation of California, representing insurers who write nearly 45% of all personal lines insurance sold in the state, including State Farm, Farmers Insurance, 21st Century, Safeco, and Progressive Insurance Companies, **opposes AB 2715 by Assembly Member Reyes**.

AB 2715 requires an employee of a customer services center to disclose at the beginning of a telephone call with a customer whether the employee is in a call center located outside the United States, and to reroute the call, upon request, to an employee in the United States. The bill also requires the call center employee to inform the customer that they may request that the call be rerouted.

AB 2715 will increase costs to businesses and consumers and create a disincentive for companies to locate in or expand their business in California. Although the amount of outsourcing done by insurers is small in proportion to their overall business, some companies may for economic reasons elect to have a call center located in another country. Many companies have call centers located in other states, due to the high costs of doing business in California and the efficiencies that are achieved through centralized call centers. AB 2715 will disproportionately burden California based companies, making them less competitive. The burden will be in the form of higher operations costs, due to extended phone calls. As a consequence, the cost of doing business will increase which in turn will result in increased costs for consumers. The requirement for rerouting is particularly burdensome, since it will require the company to maintain and staff multiple call centers. The requirement to offer rerouting could also create unnecessary and unfounded fear on the part of consumers and be demeaning to service providers located outside the United States, by implying that services provided by people in other countries are inherently inferior or that they will necessarily provide lower levels of service.

Rather than increasing jobs in California, AB 2715 is likely to create an incentive for companies to move call center operations outside of California to other states. Instead of attempting to restrict outsourcing, it would be more productive, and create more jobs in the long run, for the state to focus on ways to reduce the high costs of doing business in California and improve the state's business climate.

For these reasons, **PIFC opposes AB 2715 and urges a "no" vote** when this bill is heard in committee. If you have any questions, please contact Diane Colborn at (916) 442-6646.

cc: Assembly Member Reyes, Author
Saskia Kim, Assembly Judiciary Committee
Mark Redmond, Assembly Republican Caucus
Cynthia Bryant, Office of the Governor
Scott Reid, Office of the Insurance Advisor