



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 23, 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 2812 (Dutra): Prelitigation Procedure: Construction Defect
Assembly Judiciary Committee Hearing: May 4, 2004
PIFC Position: Support

The Personal Insurance Federation of California (PIFC), which represents insurers who provide construction dispute resolution insurance to subcontractors throughout the state of California, **supports AB 2812** by Assembly Member Dutra.

AB 2812 would establish a construction dispute resolution process for homes constructed before January of 2003 that is generally similar to the current process for construction that occurred after January 1, 2003.

In 2002, the California Legislature enacted SB 800 (Burton and Wesson) which is the right to repair construction dispute resolution legislation. This measure, although only recently enacted, has had a positive affect on the basic approach and procedure used to address alleged residential defect claims. The underlying tenet of the original provisions contained in SB 800 and those contain in this bill are simple: if a consumer has a defect with their home, they want to have it quickly and properly repaired with as little hassle as possible. One of the limitations with SB 800 is that it only applies to new construction that occurred after January 1, 2003. The reason the affects of SB 800 on the overall insurance marketplace have been limited is because there is a 10-year statute of limitations for the filing of construction defect claims in California. This 10-year "tail" has a chilling affect on the existing residential construction defect insurance marketplace because the reforms contained in SB 800 have not been realized by 95% of the business that the insurance industry has sold since 1994.

PIFC supports AB 2812 because it will provide a mechanism, similar although with some noticeable differences, to SB 800 and encourages builders and subcontractors and their respective insurers to seek repair and remediation of defects in an expeditious manner to avoid costly litigation. We also believe that AB 2812 provides safeguards for consumers in the event that the handling of the defect is not timely or done to their satisfaction while placing the emphasis on repair and improvement ahead of expensive and time-consuming litigation.

For these reasons, **PIFC strongly supports AB 2812** and believes that it is a crucial measure to bringing positive changes to the construction dispute resolution process. If you have any questions, please do not hesitate to contact Dan Dunmoyer at (916) 442-6646.

cc: Assembly Member Dutra, Author
Kevin Baker, Assembly Judiciary Committee
Mark Redmond, Assembly Republican Caucus
Cynthia Bryant, Office of the Governor
Scott Reid, Office of the Insurance Advisor