



# 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: June 15, 2004

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  
Michael A. Paiva, Senior Legislative Advocate

Re: AB 2962 (Pavley): Fire Insurance: Valuation of Loss  
Senate Insurance Committee Hearing: June 16, 2004  
**PIFC Position: Concerns as Proposed to be Amended**

The Personal Insurance Federation of California, representing insurers who write over 45% of the homeowners insurance sold in California, has **concerns with AB 2962 (Pavley) as proposed to be amended**. We have been attempting to resolve these concerns through negotiations with the Department of Insurance (CDI), which is the sponsor of the bill. While we are neutral on the May 12<sup>th</sup> version of the bill, the new proposed amendments substantially rewrite the bill. Although we are continuing to work with the CDI in an effort to resolve our concerns, we have not yet reached consensus on the language and our member companies continue to have concerns with how the bill would be interpreted.

The bill as proposed to be amended adds a new Section 2 to the bill which contains two provisions. Subsection (b) would prohibit an insurer in the event of a total loss from canceling a policy during the course of construction, except as specified. We do not object to this section.

Our concerns are with new subsection (a) which calls for changes in rates to reflect changes in loss exposure and requires modifications to insurer rating plans. Exactly what is contemplated by this section is unclear. PIFC is concerned that the bill gives companies insufficient guidance as to how this language will be interpreted by the department. For instance, it is unclear whether this language contemplates an individualized policy adjustment or an across the board change in policies. Insurers are also concerned that the language could be interpreted to require insurers to make unilateral policy changes which the policyholder may not desire. In the event of a total loss, if the home has not been rebuilt by the time of policy renewal changes in the rates charged during the course of construction may or may not be warranted depending on the particular coverages included in the policy (such as course of construction coverage or off premises contents coverage), the length of time contemplated for reconstruction, and other specific needs of the policyholder.

For these reasons, **PIFC continues to have concerns with the language of AB 2962 as proposed to be amended** and hopes that the committee will carefully consider these issues. If you have any questions, please contact Diane Colborn at (916) 442-6646.

cc: Assembly Member Pavley, Author  
Brian Perkins, Senate Insurance Committee Consultant  
Tim Conaghan, Senate Republican Caucus  
Senate Floor Analyses  
Cynthia Bryant, Office of the Governor  
Scott Reid, Office of the Insurance Advisor  
Christine Collopy, California Department of Insurance