



# 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: June 25, 2004

To: The Honorable Martha Escutia, Chair  
Members, Senate Judiciary 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 421 (Steinberg): Property Insurance Discrimination  
Senate Judiciary Committee Hearing: June 29, 2004  
**PIFC Position: Oppose Unless Amended.**

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The Personal Insurance Federation of California (PIFC), representing insurers who write over 50% of the personal lines insurance policies sold in California **opposes AB 421**, authored by Assemblymember Steinberg.

The author's intent, as communicated to us, is to make insurance more readily available to owners of *commercial*, affordable housing units. The author seeks to accomplish this goal by adding several types of underwriting criteria that may not be used to determine if a policy will be offered. In addition, the bill would restrict the use of these additional underwriting criteria in setting premiums.

Our initial concern with the bill is timing. The bill makes major revisions to a section of the Insurance Code (Chapter 12) that has not been amended since it was adopted in 1973 and that is relied upon in underwriting decisions for both residential and commercial policies. Any changes to this important section should be thoroughly vetted. Given the fact that we received the substantive amendments the day before it was heard in the Senate Insurance Committee, we have not had adequate time to thoroughly evaluate the potential impact of the proposed changes.

In addition, the bill, as drafted, is overly broad. The author and sponsors maintain that their primary concern is to ensure that operators of commercial, affordable housing units have the insurance they need to operate. However, the bill amends a section of the code dealing with residential and commercial property. The bill also adds source of income, and intended residency as categories for which insurers may not discriminate. These categories may have a direct bearing on the risk, and, as such may represent legitimate underwriting criteria that an insurer should be able to use to determine rate and eligibility. Furthermore, under a literal interpretation of the bill, an insurer would not be able to discriminate against an individual whose source of income was illegal.

Finally, we are concerned that the bill may have unintended consequences that neither we, nor the author, have had an opportunity to thoroughly explore. A case in point is the fact that, as drafted, the bill removes protections against insurer discrimination currently contained in Insurance Code Section 679.70. Subparagraph (a) and (b) of the existing statute provide protections against insurer discrimination as it relates to residential and personal property. Both of these provisions are preserved in the re-drafting of this section. However, subparagraph (c) of Section 679.70 of existing statute provides that insurers may not discriminate against individuals who purchase liability insurance. This provision is no longer in the version of the bill that passed out of Senate Insurance Committee.

Over the course of the last week, we have met twice with the author and the sponsors to try and address some of the issues that we have raised. We appreciate the author's willingness to address our concerns; however, we remain **opposed to AB 421** unless it is amended. If you have any questions regarding this position please contact Mike Paiva at (916) 442-6646.

cc: Senator Alpert, Author  
Gloria, Ochoa, Senate Judiciary Committee  
Tim Conaghan, Senate Republican Caucus  
Cynthia Bryant, Office of the Governor  
Scott Reid, Office of the Insurance Advisor