



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: March 27, 2003

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 Gunning, Senior Legislative Advocate

Re: AB 631 (Koretz): Automobile Medical Payments Insurance
Assembly Insurance Committee Hearing: April 2, 2003
PIFC Position: Oppose

The Personal Insurance Federation of California, representing insurers who write over 30% of the personal lines insurance policies in California, including State Farm, Farmers, SAFECO, 21st Century Insurance Group and Progressive Insurance Company, **opposes AB 631** by Assembly member Koretz.

AB 631 proposes to further define automobile medical payments insurance. We believe that this information is already available to consumers in a clear and concise manner. Existing law for the past decade has required the Insurance Commissioner to publish and distribute a uniform comparison of automobile insurance rates including medical coverage. In addition, these changes would increase the costs of automobile insurance, eliminate customer efficiencies, and increase consumer burdens.

The sponsors of this bill argue that consumers are not informed as to the extent of medical coverage under their automobile policy and there is a need to separately disclose this information. However, current law requires that when notified of a claim, an insurance company must inform the insured of the full extent of their coverage, including any additional medical benefits they may have purchased.

This bill would require that "Med-Pay Insurance" be offered as a separate contract. Our member companies currently provide medical coverage as an optional part of their existing contract. The benefits are clearly defined in the existing contract. There is current oversight for the offering of medical coverage. By law the Department of Insurance reviews and approves every application for automobile insurance, including the medical coverage portion.

This bill would require the policyholder to sign a separate form for initial coverage and to sign for any future changes in policy language on another form. This is a unique provision. We are not aware of any other coverage that may not be changed until a signed acknowledgement is obtained from the policyholder. In an effort to increase consumer convenience, many insurers no longer require a signed application. In fact,

many insurers take applications over the phone or internet where no signature is required. We believe this is preferable and convenient for the insured. By requiring insureds to sign a new separate med pay application, this would reverse a consumer efficiency many insurers have implemented and make obtaining insurance more difficult for the consumer.

At a time when the California Department of Insurance is facing a number of critical challenges in the insurance industry and like other state agencies, is strained under the state's budget crisis, to create this new provision under law could further burden its existing resources.

AB 631 would create a new term for optional medical coverage. We question the requirement for the change and what is the consumer benefit. This change alone would cost millions in system changes and notifications to insureds. Presumably, ID cards, renewal notices, and other references to "Medical Payments Coverage" would need to be converted to the preferred terminology as well.

For all these reasons, **PIFC must oppose AB 631 and urges a no vote** on the bill when it is heard in committee. Thank you for your consideration of our views. If you have any questions regarding our position, please do not hesitate to contact Michael A. Gunning at (916) 442-6646.

cc: Honorable Paul Koretz, Author
Ann Richardson, Deputy Legislative Secretary, Governor's Office
Chris Clay, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus