



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 21, 2005

To: The Honorable Juan Vargas, Chair
Members, Assembly Insurance Committee

From: Dan C. Dunmoyer, President
Rex D. Frazer, Vice President & General Counsel
Michael A. Gunning, Senior Legislative Advocate
Michael A. Paiva, Senior Legislative Advocate

RE: AB 729 (Koretz): Production Agencies: Regulation: Penalties
As Amended April 14, 2005
Assembly Insurance Committee Hearing: April 27, 2005
PIFC Position: Oppose

The Personal Insurance Federation of California (PIFC), representing insurers who write over 50% of all personal lines insurance sold in California, including State Farm, Farmers, SAFECO, 21st Century Insurance Group, Progressive Insurance Company and NAMIC, **opposes AB 729** authored by Assembly Member Koretz.

Under current law, the California Department of Insurance (CDI) has the authority to issue an order or reprimand, after which the licensee can pay a fine or request a hearing. Following a hearing, the CDI may assess a penalty. Under AB 729, if an agent receives a citation for a minor violation, they must request a hearing within 15 days. PIFC is concerned that many agents will feel compelled to pay the citation rather than take the time to appear at a hearing. In addition, Section 7 of this bill grants the Commissioner broad authority through regulation, to make additional changes to the scope of the regulations that will potentially impact the scope of the bill.

Section 8 provides for penalties in Subsection (a) which seem inconsistent with the language in Subsection (c). Subsection (a) provides for a penalty of either \$1,000 or \$4,000 depending on the specific offense. In addition, Subsection (a) specifies that the fine may not be more than \$20,000 in the aggregate. However, Subsection (c) seems to indicate that the amount of the fine will be controlled by the costs incurred by the Commissioner rather than by the specific nature of the alleged offense.

Section 8 also includes language granting the Commissioner the right to enter and enforce a civil judgment and the authority to provide certain documentation that will "be conclusive proof of the civil judgment, its terms, and its validity." PIFC believes that this section is overly broad and

that it enables the Commissioner to overreach his or her regulatory powers.

For the reasons stated above, **PIFC opposes AB 729** by Assembly Member Koretz. If you have any questions, please contact Mike Paiva at (916) 442-6646 or via email at mpaiva@pifc.org

cc: Assembly Member Koretz, Author
James Anderson, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Richard Costigan, Legislative Secretary, Office of the Governor
Cynthia Bryant, Deputy Legislative Secretary, Office of the Governor
Scott Reid, Office of the Insurance Advisor

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