



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 • NAMIC

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Date: May 13, 2005

To: Members of the California State Assembly

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

Re: AB 778 (Mullin): Auto Insurance: In Home Supportive Services
As Amended May 4, 2005
Assembly Third Reading File
PIFIC Position: Oppose unless Amended

The Personal Insurance Federation of California, representing insurers who write over 45% of the auto insurance sold in the state, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, is **opposed unless amended to AB 778** by Assembly Member Mullin.

AB 778 would prohibit an auto liability policy from containing any provision that excludes from coverage the operation or use of an insured motor vehicle by the named insured in the performance of any in-home supportive services. Despite the recent amendments to the bill, the inclusion of the mileage provision in the bill could be a partial repeal of Prop 103 and would need to be taken to the voters. The mileage provision is not in furtherance of Proposition 103, so the legislators cannot appropriately enact this. According to 1862.02 in the Insurance Code, the factors insurers "shall" use in setting rates:

1861.02.:

(a) Rates and premiums for an automobile insurance policy, as described in subdivision (a) of Section 660, **shall** be determined by application of the following factors in decreasing order of importance:

(1) The insured's driving safety record.

(2) The number of miles he or she drives annually.

(3) The number of years of driving experience the insured has had.

(4) Those other factors that the commissioner may adopt by regulation and that have a substantial relationship to the risk of loss. The regulations shall set forth the respective weight to be given each factor in determining automobile rates and premiums.

Notwithstanding any other provision of law, the use of any criterion without approval shall constitute unfair discrimination.

As required by Proposition 103, insurance companies are required to determine premium rates based upon three key factors: the insureds driving safety record, number of miles

driven annually, and years of driving experience. AB 778 could prevent PIFC member companies from properly rating our insureds, as required under Proposition 103, by not allowing us to consider the correct number of miles driven annually.

PIFC suggests that the author specifically define what are "in-home supportive services." California law describes supportive services, but there is still a question of whether the bill applies to persons providing supportive services to a resident relative, providing commercial service as part of their employment or to either. Better clarification of this distinction would help insurers better understand how the bill would affect current practices.

For all of these reasons, **PIFC is opposed unless amended to AB 778 and urges a no vote** on this bill. If you have any additional questions regarding our position, please do not hesitate to contact Michael A. Gunning at (916) 442-6646.

cc: Christine Ebbink, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary for the Governor
Scott Reid, Office of the Insurance Advisor

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