



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: April 26, 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

Re: SB 1315 (Ortiz): Insurance Policies
Senate Insurance Committee Hearing: April 29, 2004
PIFC Position: **Oppose**

The Personal Insurance Federation of California, representing insurers who write over 45% of the homeowners insurance sold in California, **opposes SB 1315** by Senator Ortiz. SB 1315 would provide that no policy containing changes to the standard fire insurance form may be issued in California unless a copy is filed with the Insurance Commissioner and would also give the Insurance Commissioner authority to disapprove a policy form.

PIFC opposes SB 1315 for several reasons. First, the bill will have the unintended consequence of reducing the amount of insurance coverage available to consumers. It does this by discouraging insurance companies from offering any coverage other than that which is specified in the standard form, since only the standard form would be assured of approval. This will have the affect of reducing insurance coverage for consumers, since most companies currently offer significantly more types of coverage than are provided under the standard form.

Second, SB 1315 authorizes the Insurance Commissioner to disapprove policy forms, and by implication to withdraw a previous approval. This will create great uncertainty and have a negative affect on the property insurance market by adding additional regulation to an already overly regulated system. This is a move in the wrong direction. Recent experience nationwide shows that states that are moving to a more competitive system have more market participants, greater availability and lower rates, while states that are moving to a more highly regulated system, like California, are finding that they have less market participants, lower availability, and higher rates.

Third, SB 1315 uses undefined terms that are vague and ambiguous, and does not clearly articulate the scope of authority granted to the commissioner. In particular, subsections (b)(2) and (3) of the bill contain subjective terms and phrases such as "unjust," "encourage misinterpretation," and "likely to contribute to a significant health risk," which are not clearly related to the provisions of a property insurance policy, and for which it will be impossible for an insurer to know how such terms will be interpreted.

For these reasons, PIFC **opposes SB 1315 and urges a "no" vote** when it is heard in committee. If you have any questions, please do not hesitate to contact Diane Colborn at (916) 442-6646.

cc: Senator Ortiz, Author
Cynthia Bryant, Office of the Governor
Brian Perkins, Senate Insurance Committee
Tim Conaghan, Senate Republican Caucus
Scott Reid, Office of the Insurance Advisor