



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 1321 (Ortiz): Approval of Insurance Rates
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 1321** by Senator Ortiz. This measure would amend Proposition 103 to mandate that every rate change request be subject to a public hearing, with opportunities for intervenor fees to be paid to consumer advocates who intervene in the hearings, if the rate change request would result in a total rate change request in excess of 7% over a 12-month period. SB 1321 would expand the provisions of Proposition 103 that already require public hearings and opportunity for payment of intervenor fees on individual rate change requests of 7% or more.

SB 1321 will increase the costs of the regulatory system, slow down the process, and make it impossible for insurers to respond in a timely fashion to changes in claims costs or other market conditions. The bill would also discourage insurers from submitting requests for rate decreases, since they could never be assured of obtaining necessary rate increases should claims costs increase.

SB 1321 is also completely unnecessary since under existing law the Insurance Commissioner already has the discretion to require a rate hearing for rate change requests of any amount. A rate hearing is only mandated for rate changes in excess of 7% (or 15% in the case of commercial). The effect of SB 1321 is solely to benefit so called consumer advocates who want to intervene in rate hearings and be paid "intervenor fees." These fees are ultimately reflected in the rates policyholders pay for insurance.

For these reasons, PIFC **opposes SB 1321 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