



# 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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## FLOOR ALERT

Date: May 12, 2004  
To: Members of the California State Senate  
From: Dan C. Dunmoyer, President  
G. Diane Colborn, Vice President of Legislative and Regulatory Affairs  
Michael A. Gunning, Senior Legislative Advocate  
Re: SB 1368 (Ortiz): Substitute Service of Process  
Senate Third Reading  
**PIFC Position: Oppose** **As Amended May 11, 2004**

The Personal Insurance Federation of California, representing insurers who write nearly 45% of all personal lines insurance sold in the state, including State Farm, Farmers Insurance, 21<sup>st</sup> Century, Safeco, and Progressive Insurance Companies, **opposes SB 1368 by Senator Ortiz**. SB 1368 would require insurers to be served copies of summons and complaint against their insureds, and to request authorization from their insureds to accept service of process documents on their behalf.

**PIFC Strongly Opposes the Provisions of SB 1368 Providing for Service of Lawsuits on Insurers Rather than on the Named Defendant.** The insured is the Defendant, not their insurance company. The company's contractual obligation is to reimburse its insured for losses and to provide certain other services including, in some circumstances, to pay for their defense. This bill would change well-settled constitutional law that the Defendant is entitled to notice and service of process. The bill violates the Due Process Rights of Defendants. Requiring that insurance companies release the address of the insured could also be prejudicial to the insured and may violate existing insurance privacy laws.

**SB 1368 Would Expose a Consumer to a Judgment that was not Agreed to or Ratified by the Named Defendant.** By deeming service on the insured complete, even when the insured has declined to authorize the insurer to accept service, exposes the defendant to a judgment that he or she did not agree to. This could negatively affect the individual's personal finances or result in other adverse consequences.

In addition, the bill would create new administrative burdens and additional costs to insurers given the current trend towards centralization of claims processing service centers. Although amended to address this concern in part, the bill would still be an administrative nightmare for insurers to now begin accepting millions of lawsuit documents. This amendment would neither speed up nor expedite the notice to the insured. This provision is not consumer friendly and merely creates a convenience for lawyers.

For all these reasons, **PIFC is opposed to SB 1368 and urges a no vote on the bill**. Thank you for your consideration of our views. If you have any questions regarding this position, please do not hesitate to contact Diane Colborn at (916) 442-6646.

cc: Senator Ortiz, Author  
Michael Yang, Senate Judiciary Committee  
Gloria Ochoa, Senate Judiciary Committee  
Mike Petersen, Senate Republican Caucus  
Senate Floor Analyses  
Cynthia Bryant, Office of the Governor  
Scott Reid, Office of the Insurance Advisor