



# 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

## FLOOR ALERT

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Date: June 17, 2004  
To: Members, California State Assembly  
From: Dan C. Dunmoyer, President  
G. Diane Colborn, Vice President of Legislative and Regulatory Affairs  
Michael A. Gunning, Senior Legislative Advocate  
Michael A. Paiva, Senior Legislative Advocate  
RE: SB 1368 (Ortiz): Substantive Service of Process  
Assembly Third Reading File  
**PIFC Position: Oppose** **As Amended June 16, 2004**

The Personal Insurance Federation of California, representing insurers who write over 50% of all personal lines insurance sold in the state, **opposes SB 1368 by Senator Ortiz**. SB 1368 would require insurers to accept substitute service of process of summons and complaints against their policyholders, and to request authorization from the policyholder to accept service of process on their behalf.

SB 1368 would impose new requirements on insurers that are costly, unnecessary, and contrary to the interests of their policyholders. The insurance company's contractual obligation is to indemnify the policyholder for losses incurred that are covered under the policy, and in some cases to pay for the costs of their defense if they are sued. The insurance company's obligation is to their insured, and not to a third party who is trying to sue them. SB 1368 imposes new and costly obligations on insurers and could create an adversarial relationship between the insurer and insured.

SB 1368 is unnecessary as other alternative substitute forms of service of process are already available and allowed under the law. These include mailing a summons and complaint to the individual, or service by publication in a local newspaper if the person's address is unknown.

SB 1368 is not limited to cases where the plaintiff is unable to locate the defendant. Under SB 1368 there would be no requirement that the plaintiff even attempt to provide personal service on the defendant. Instead, they would serve the papers on the insurer if the insurer has acknowledged the claim (which insurers are required under regulation to do in virtually every case).

SB 1368 would violate the policyholder's right to privacy by requiring insurers to disclose their policyholder's address to a person trying to sue them. The Insurance Code and other privacy laws restrict the disclosure of personally identifying information, including address and phone number. This requirement could potentially allow stalkers to obtain information regarding where the policyholder lives. Although the bill says that these requirements apply only where the insurer has "accepted coverage," it is not at all clear what this means.

For all these reasons, **PIFC is opposed to SB 1368 and urges a no vote on this 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  
Leora Gershenzon, Assembly Judiciary Committee  
Mark Redmond, Assembly Republican Caucus  
Cynthia Bryant, Office of the Governor  
Scott Reid, Office of the Insurance Advisor