



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: August 20, 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 1564 (Sher/Escutia): Homeowners Insurance
Assembly Floor
PIFC Position: Oppose as Proposed to be Amended

The Personal Insurance Federation of California, representing insurers who write 50% of the personal lines insurance sold in California, **opposes SB 1564** (Sher/Escutia) as proposed to be amended on the Assembly Floor. The amendments, which were put over the desk on August 19th, are a "gut and amend" of language substantially similar to SB 1474 (Escutia) which failed passage in the Assembly Insurance Committee on June 22nd. PIFC objects to SB 1564 as a violation of the legislative committee process.

In addition to our process objections, PIFC opposes SB 1564 on policy grounds. The amendments prohibit an insurer from nonrenewing a policy of insurance based on prior claims. By restricting an insurer's underwriting discretion, SB 1564 could have a negative effect on the insurance market and could reduce the availability of homeowners' insurance. Insurers who are thinking of entering or expanding their presence in the California market may be reluctant to do so if they fear they may be unable to control their exposure to loss, or make appropriate decisions necessary to manage their book of business and stay solvent.

The bill has two parts. Subsection (b)(2) would prohibit an insurer from refusing to renew a policy on the basis of claims resulting from fire losses in which the property of the insured was not the inception of the fire and the loss was caused by a government declared disaster. PIFC does not object to this subsection which is a response to issues arising out of the southern California fires.

Our objections are with subsection (b)(1), which is not limited to claims caused by government declared disasters, but applies to any claims resulting from natural causes, including but not limited to floods, earthquakes, lightning, and any weather related events, *without regard to the number of such claims*. The effect of this language is that a property owner could file multiple claims for weather related losses, such as a leaky roof or a fence that blows down every year, and the insurer would be forced to continue insuring the property. Subsection (b)(1) would also prohibit an insurer from nonrenewing policies based on such prior claims, including earthquake claims, even if the company was in danger of going insolvent. Following the Northridge earthquake, some companies were required by the Insurance Commissioner to nonrenew policies and stop writing homeowners insurance because their solvency was threatened.

For these reasons, **PIFC opposes SB 1564 as proposed to be amended, and urges a no vote**. If you have any questions, please contact Diane Colborn at (916) 442-6646.

cc: Senator Sher, Author
Senator Escutia, Author
Assembly Insurance Committee
Assembly Republican Caucus
Cynthia Bryant, Office of the Governor
Scott Reid, Office of the Insurance Advisor