



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 29, 2004

To: The Honorable Martha Escutia, Chair
Members, Senate Judiciary Committee

From: Dan C. Dunmoyer, President
G. Diane Colborn, Vice President of Legislative and Regulatory Affairs
Michael A. Gunning, Senior Legislative Advocate

RE: SB 1833 (Dunn): Construction Defects
Senate Judiciary Committee Hearing: May 4, 2004
PIFC Position: Support

The Personal Insurance Federation of California (PIFC), which represents insurers who provide construction dispute resolution insurance to subcontractors throughout the state of California, **supports SB 1833** by Senator Dunn.

SB 1833, among other things, would require a builder who receives a notice of a claim for an alleged construction deficiency to offer a joint cost sharing agreement to other potential culpable parties if in fact the builder intends to hold any of these parties responsible for the losses or damages associated with the claim.

SB 1833 is an important measure that will provide reason and balance to the current challenges faced by insurance companies and their customers in the construction dispute resolution process. Currently, insurers representing subcontractors are finding themselves upside down in the marketplace. For every \$1 in premium that is collected for construction dispute resolution insurance, in excess of \$4 is paid out to handle claims. What is even more troubling is that of the money paid out, over half of it is spent on litigation costs associated with the claim. What this means is that the cost of the product for customers goes up and the payment for aggrieved parties goes down. This results in an unacceptable public policy situation.

For the reasons stated above, **PIFC urges the members of the committee to support SB 1833** and move it through the process to ensure that on-going dialogue and discussion can exist on these important measures. If you have any questions regarding our position, please do not hesitate to contact Dan C. Dunmoyer at (916) 442-6646.

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