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 • NAMIC

MEMORANDUM

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Date: June 16, 2005

To: Honorable Juan Vargas, Chair
Members, Assembly Insurance Committee

From: Dan C. Dunmoyer, President
Rex D. Frazier, Vice President & General Counsel
Michael A. Gunning, Senior Legislative Advocate
Michael A. Paiva, Senior Legislative Advocate

Re: SB 20 (Escutia): Low-Cost Automobile Insurance
As Amended April 18, 2005
Assembly Insurance Committee: July 6, 2005
PIFC Position: Oppose Unless Amended

The Personal Insurance Federation of California (PIFC), representing insurers who write over 45% of all private passenger automobile insurance sold in California, including State Farm, Farmers, Safeco, 21st Century, Progressive, and NAMIC, is **opposed unless amended to SB 20** by Senator Escutia.

It is important to PIFC member companies that the rates of the Low-Cost Automobile Insurance Program (LCA) policy be actuarially sound so that there is no subsidy of the program by other good drivers in the regular market. We believe the April 18th amendments to the bill created ambiguities, which if misinterpreted, could have potentially weaken the program's previous requirement for the actuarial soundness. We appreciate that the proposed amendments add back language that clarifies that there may be different rates for *"each of the"* counties.

However, PIFC's most strenuous objection to the proposed amendments is the language that makes the program permanent in Los Angeles and San Francisco counties. As evidenced by the Senate Transportation Committee last year with SB 1500 (Speier), which also proposed to make the LCA program permanent, the Committee questioned that, *"….In light of the limited level of participation in these programs, is continuation of these programs advisable?"* The Committee opted to remove the permanency language and instead required an annual report by the Insurance Commissioner on the success or failure of the program. The Committee believed, as did PIFC, that there needed to be a more definitive study of the program before the sunset should be eliminated. This is the first year requiring that an annual study be performed.

The same thought process applies to SB 20 today. Although the program is maturing, additional time is still needed to gather sufficient data on the impact of the program and to determine whether the program is truly operating without a subsidy by other good drivers. PIFC member companies strongly believe the LCA should only continue with a sunset date and that current data is insufficient to support eliminating the sunset at this time for Los Angeles and San Francisco. In fact, we would support additional benchmark criteria to supplement the current reporting requirements.

Finally, the bill has been amended to sunset the program in 2012. PIFC member companies strongly believe the LCA program should have a shorter sunset date of January 1, 2010.

For the reasons stated above, PIFC respectfully **opposes SB 20 unless amended to address these concerns**. If you have any questions regarding our opposition, please call Michael A. Gunning at (916) 442-6646.

cc: Senator Escutia, Author
Christine Ebbink, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary, Office of the Governor
Scott Reid, Office of the Insurance Advisor