



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 16, 2003

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 Gunning, Senior Legislative Advocate

Re: SB 27 (Figueroa): Financial Privacy
Senate Judiciary Committee Hearing: April 22, 2003
PIFC Position: **Oppose Unless Amended**

The Personal Insurance Federation of California, representing insurers selling close to 35% of the personal lines insurance sold in this state, **opposes unless amended SB 27 by Senator Figueroa.**

SB 27 would require any business that discloses a customer's personal information to a third party for direct marketing purposes to provide the customer, within 30 days after the customer's request, with a written description of all sources and recipients of the information, along with copies of the information shared. While PIFC does not oppose the basic concept of requiring that companies disclose to consumers when they share personal information with third parties for direct marketing purposes, we have several concerns with the bill as written. Some of our concerns relate to what we believe may be unintended consequences of the bill due to its over breadth.

First, the definition of "third parties" is overly broad in that it would include affiliated companies which are not truly third parties, but may include even wholly owned subsidiaries of a single company. We have suggested that the definition of "third party" in the bill be narrowed by deleting the third prong of the definition, which includes any business that is a separate "legal entity." In the insurance world this would include any affiliate that is technically a separate legal entity because it is separately incorporated for tax or solvency purposes, but for all practical purposes is part of the same company, is under the same management and control, and may even be operating under the same common brand name.

Secondly, the individualized detail of information that would be required to be disclosed for each separate request would be overly burdensome, impractical and costly for businesses like insurers to comply with. The additional costs this would add to the price consumers must pay for insurance services would outweigh any benefits consumers would receive from this level of detail and research.

Thirdly, the bill creates a new private cause of action, making the bill a potential trap for the unwary, especially in light of the detailed and individualized disclosures that would have to be researched and personalized for each consumer.

Finally, we appreciate that SB 27 focuses on educating consumers so that they can make more informed choices, and does not discriminate against certain types of institutions over others. However, for the reasons stated above we must oppose SB 27 unless amended to address those concerns. Thank you for considering our views. If you have any questions regarding PIFC's position, please contact Diane Colborn at (916) 442-6646.

cc: Senator Figueroa, Author
Ann Richardson, Deputy Legislative Secretary, Governor's Office
Michael Yang, Senate Judiciary Committee
Mike Petersen, Senate Republican Caucus
Senate Floor Analyses