



# 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:** June 24, 2003

**To:** The Honorable Ellen Corbett, Chair  
Members, Assembly Judiciary Committee

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

**Re:** SB 27 (Figueroa): Financial Privacy  
Assembly Judiciary Committee Hearing: June 26, 2003  
PIFC Position: **Oppose Unless Amended**

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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 or if copies cannot be provided, then with a description of the specific information disclosed. The April 30<sup>th</sup> amendments also provide that a company that only shares with affiliates that share the same brand name, may satisfy the bill by providing a list of their affiliates and a description of the types of personal information disclosed, as described. While PIFC does not oppose the basic concept of requiring that companies disclose to consumers, upon request, when they share personal information with third parties for direct marketing purposes, we have several concerns with the bill as written. Our concerns relate for the most part to practical implementation problems and excessive compliance costs we believe would be incurred due to the specificity, detail, and over breadth of the bill's requirements.

First, the definition of "third parties" is overly broad in that it would include affiliated companies, which are not truly third parties, and 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. If the disclosure requirements are too specific and

individualized, the additional costs this would add to the price consumers must pay for insurance services could outweigh any benefits consumers would receive from this level of detail and disclosure. The author's office has expressed some willingness to work with us in an attempt to streamline the disclosure requirements in a manner that would reduce the implementation costs. We hope to continue working with the author on amendments that would accomplish that objective.

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.

Fourth, we are especially concerned that if SB 27 and other pending legislation such as SB 1 by Senator Speier were both to become law, financial institutions would be subject to different and potentially conflicting or redundant notice requirements under each measure. We would therefore urge that SB 27 be amended to provide that it shall not apply to financial institutions if SB 1 becomes law and imposes separate notice requirements on financial institutions.

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, Office of the Governor  
Richard Figueroa, Office of the Governor  
Drew Liebert, Assembly Judiciary Committee  
Mark Redmond, Assembly Republican Caucus