



# 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

## FLOOR ALERT

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**Date:** May 11, 2005

**To:** Members of the California State Senate

**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 2 (Speier): Homeowners' Insurance: Valuation  
As Amended April 27, 2005  
Senate Second Reading File  
**PIFC Position: Oppose Unless Amended**

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The Personal Insurance Federation of California (PIFC), representing insurers who write 50% of all homeowners' insurance sold in California, **opposes SB 2 authored by Senator Speier unless it is amended.**

SB 2 would make a number of substantive changes to the way California insurance companies handle the adjusting and managing of claims following major fires and catastrophic losses. **Specifically, SB 2 creates two new mandates on every homeowner insurer in the state which will increase premiums for all homeowner consumers:**

**Mandate 1:** All homeowners must purchase two years of additional living expense (ALE) coverage whether they need it or not. Having two years to rebuild your home following a disaster is a helpful policy. Being required to purchase this additional coverage when you do not live in a high-fire zone is not good public policy.

**Mandate 2:** Requires all homeowners to buy contents coverage that guarantees payment of 85% of an insured's contents coverage regardless of how much contents someone owns. This change, while helpful in removing the inventory requirement for 2-3,000 fire storm survivors, will also increase the rates for 6,000,000 consumers.

For the reasons stated above, **PIFC opposes SB 2 (Speier) unless the concerns raised above are addressed through amendments to the bill.** If you have any questions regarding our position, please contact Dan Dunmoyer at (916) 442-6646.

cc: Brian Perkins, Senate Banking, Finance, and Insurance Committee  
Tim Conaghan, Senate Republican Caucus  
Cynthia Bryant, Deputy Legislative Secretary for the Governor  
Scott Reid, Office of the Insurance Advisor  
Senate Floor Analyses