



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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Dan Dunmoyer
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Rex D. Frazier
Vice President &
General Counsel

Michael Gunning
Senior Legislative Advocate

Michael Paiva
Senior Legislative Advocate

Jerry Davies
Director of Communications

Date: August 11, 2005
To: The Honorable Judy Chu, Chair
Members, Assembly Appropriations 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 2 (Speier): Homeowners' Insurance: Valuation
As Amended July 13, 2005
Assembly Appropriations Committee Hearing: August 17, 2005
PIFIC Position: Oppose Unless Amended

The Personal Insurance Federation of California (PIFIC), representing insurers who write 50% of all homeowners' insurance sold in California, **opposes the July 13th version of SB 2** authored by Senator Speier **unless it is amended to address our final concern. PIFIC is continuing to negotiate with the author's office to address this final concern and hopes to remove our opposition to this measure by the August 17th committee hearing date.**

SB 2 would make substantive changes to the way California insurance companies handle the adjusting and managing of claims following major fires and catastrophic losses. PIFIC is appreciative of a number of amendments the author has made to the measure but, regrettably must continue to oppose the current version of SB 2 unless it is amended to address one more substantive section, that unless changed will lead to unnecessary litigation. Below is a more detailed analysis of our remaining concern.

Section 6(a) requires an insurer to provide a policyholder with a list of items the insurer "believes may be covered" under the policy as additional living expenses. This section is problematic and confusing. An insurance policy outlines the coverage provided to the customer. Creating an additional requirement for insurers to provide a list of potential coverages can be misleading and confusing to customers because some coverages may apply in some circumstances and some may not. This confusion is prone to disputes and is likely to lead to avoidable litigation. If there is need to provide general information, the CDI should be tasked to provide a general information sheet on this coverage that can be maintained on their web page or distributed at disaster centers. To resolve this concern, we recommend a **simple amendment to change page 6, line 10:**

~~If the department shall develops a list which companies may voluntarily elect to for use to comply with this section. by insurers, the insurer may use the list~~

For the reason stated above, **PIFIC must continue to oppose SB 2 (Speier) unless amended to address our final concern.** If you have any questions regarding our position, please contact Dan Dunmoyer at (916) 442-6646.

cc: Senator Speier, Author
Mary Ader, Assembly Appropriations Committee
Cynthia Bryant, Deputy Legislative Secretary for the Governor

Chris Ryan, Assembly Republican Caucus
Scott Reid, Office of the Insurance Advisor

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