



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

STAFF

Dan Dunmoyer
President

Rex D. Frazier
*Vice President &
General Counsel*

Michael Gunning
Senior Legislative Advocate

Michael Paiva
Senior Legislative Advocate

Jerry Davies
Director of Communications

Date: August 12, 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 518 (Kehoe): Homeowners' Insurance: Insurance Adjusters
As Amended July 6, 2005
Assembly Appropriations Committee: August 17, 2005
PIFIC Position: Oppose

The Personal Insurance Federation of California (PIFIC), representing insurers who write 50% of all homeowners' insurance sold in California, **opposes the July 6th version of SB 518** authored by Senator Kehoe **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 518 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 518 unless it is amended to clarify the requirements of the mandatory "additional living expenses" section.

Section 2 requires an insurer to provide, following declaration of a state emergency, 24 months of additional living expense ("ALE") coverage. This coverage should be subject to ordinary contract limitations, including the ability of an insurer to determine when an insured has been restored to pre-loss condition and no longer needs to receive ALE payments. The current ALE provision of SB 518 is unclear as to its preservation of ordinary contractual limitations. We are concerned the current language could be read to require payment of 24 months of ALE even though an insured does not need ALE payments for 24 months.

To resolve this concern, we request that Section 2(b)(2) of the bill be restated to read in its entirety as follows:

“In the event of a covered loss related to a state of emergency, as defined in Section 8558 of the Government Code, coverage for additional living expenses shall be made available for a period of 24 months and subject to other policy provisions, except that this extension of time beyond that otherwise provided in the policy shall not act to increase the additional living expense policy limits in force at the time of the loss. This paragraph shall become operative on January 1, 2007.”

For the reason stated above, **PIFC must continue to oppose SB 518 (Kehoe) unless amended to address our final concern.** If you have any questions regarding our position, please contact Dan Dunmoyer or Rex Frazier at (916) 442-6646.

cc: Senator Kehoe, Author
Mary Ader, Assembly Appropriations Committee
Chris Ryan, Assembly Republican Caucus
Cynthia Bryant, Deputy Legislative Secretary for the Governor
Scott Reid, Office of the Insurance Advisor

4.SB518-AApps