



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

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Dan Dunmoyer
President

Diane Colborn
Vice President of Legislative
& Regulatory Affairs

Michael Gunning
Senior Legislative Advocate

Michael Paiva
Senior Legislative Advocate

Jerry Davies
Director of Communications

MEMORANDUM

Date: June 18, 2004

To: The Honorable Lou Correa, Chair
Members, Assembly Business and Professions Committee

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

Re: SB 584 (Alarcón): Advertising
Assembly Business and Professions Committee Hearing: June 22, 2004
PIFC Position: Oppose **As Amended June 15, 2004**

The Personal Insurance Federation of California (PIFC), representing insurers who write over 50% of the personal lines insurance policies sold in California **opposes SB 584** authored by Senator Alarcón. This bill would require an insurer or public utility that advertises a service, product, or policy in designated languages to provide specified information to the consumer and to notify consumers of the right to request this information.

We have found no evidence over the past year and a half to demonstrate the specific need for this bill. Despite repeated requests, no party has been able to describe to the business community or to the B&P Committee staff why there is a need for SB 584. The stated goal of this bill is to "promote business...with the highly diverse demographics of California's economy." However, we believe that this bill will actually create a disincentive to advertise or expand business operations because the bill is not precise in its definition of "rates, terms and conditions of a service, product or policy."

SB 584 tries to dictate the type and timing for the delivery of information to consumers, but is not explicit. The bill requires that there be "sufficient information" for the consumer to make an informed decision, but the only required writing is provided after the sale when it does little good. In addition, the information may be given "orally or in writing" which will make proving compliance difficult.

SB 584 is not clear as to whether insurers and public utilities would be required to provide every consumer, regardless of whether they speak Spanish, Chinese, Tagalog, Vietnamese or Korean, and regardless of whether they saw an advertisement in either language, with notification and materials.

The bill specifies that the Insurance Commissioner and the Public Utilities Commission are responsible for ensuring that those companies under their regulatory authority comply with these requirements. However, as written, section 17531.3 (f) is vague as it relates to insurers and their "compliance" with the bill. It states that "a company meeting the requirements of the Insurance Commissioner...shall be deemed in compliance with this section." The section either provides for "approval" by the Insurance Commissioner or it provides a presumption of compliance or safe harbor if the Insurance Commissioner's approval is granted. Further, the section may be interpreted to require the Insurance Commissioner to draft the documents for insurers. This would be impossible because each insurer's product will differ.

There are no provisions in the bill that specify what happens in cases where the translated language version could be interpreted in a different way than the English materials. It is our opinion that in the event of a conflict, the English version should control. Particularly if the item sold is nothing more than a contractual promise as it is in insurance.

Although it is clear that the insurance and public utilities industries are targeted by the bill, it is our opinion that SB 584 could create potential 17200 exposures for all other business in California that do not meet the stated legislative intent.

For these reasons, **PIFC opposes SB 584 and urges your no vote.** Thank you for consideration of our views. If you have any questions regarding PIFC's position, please do not hesitate to contact Michael A. Gunning at 916-442-6646.

cc: Senator Alarcón, Author
Hank Dempsey, Assembly Business and Professions Committee
Ted Blanchard, Assembly Republican Caucus
Cynthia Bryant, Office of the Governor
Scott Reid, Office of the Insurance Ad