



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: May 1, 2003

To: The Honorable Jackie Speier, Chair
Members, Senate Insurance Committee

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

Re: SB 850 (Ortiz): Insurance Commissioner
Senate Insurance Committee Hearing: May 7, 2003
PIFC Position: **Oppose**

The Personal Insurance Federation of California, representing insurers who write nearly 35% of all personal lines insurance sold in the state, including State Farm, Farmers Insurance, 21st Century, SAFECO, and Progressive Insurance Companies, **opposes SB 850** by Senator Ortiz.

SB 850 would authorize the Insurance Commissioner to disapprove policy forms, changes and exclusions, or rescind a previously granted approval, on specified grounds. PIFC opposes SB 850 for the reason that, among other things, the bill gives an overly broad grant of discretion to the regulator to determine policy provisions, uses undefined terms that are vague and ambiguous, and does not clearly articulate the scope of authority granted to the commissioner. Without defined standards, companies will not be put on notice as to how these terms will be applied or interpreted.

In particular, subsections (b)(2) and (3) of the bill contain terms and phrases, such as “unjust”, “encourage misinterpretation”, and “likely to contribute to a significant health risk” that are vague and ambiguous, or are not clearly related to the provisions of a property insurance policy.

In addition to the problems with the specific language of SB 850, PIFC opposes the general policy direction reflected in the bill, which will add additional regulation to an already overly regulated system that is having a negative effect on the market. SB 850, by adding more regulation, is a move in the wrong direction. Recent experience nationwide shows that states that are moving to a more competitive system are finding that they have more market participants, greater availability and lower rates, while states that are moving to a more highly regulated system, like California, are finding that they have less market participants, lower availability, and higher rates.

For all these reasons, PIFC opposes SB 850 and urges a no vote when this measure is heard in committee. If you have any questions, please contact Diane Colborn at (916) 442-6646.

cc: Senator Ortiz, Author
Senate Insurance Committee
Dan Chick, Senate Republican Caucus
Senate Floor Analyses