



Date: April 13, 2021

To: The Honorable Tom Daly and Members of the Assembly Insurance Committee

From: Personal Insurance Federation of California
American Property Casualty Insurance Association
Pacific Association of Domestic Insurance Companies
National Association of Mutual Insurance Companies

RE: AB 1498 (LOW) INSURANCE: NOTICE OF POLICY CANCELLATION, LAPSE, OR TERMINATION OPPOSE - AS INTRODUCED FEBRUARY 19, 2021

Dear Assemblymember Daly:

The Personal Insurance Federation of California (PIFC), American Property Casualty Insurance Association (APCIA), the National Association of Mutual Insurance Companies (NAMIC) and the Pacific Association of Domestic Insurance Companies (PADIC) represent a large and diverse group of California domestic and national insurance companies that serve the vast majority of California's homeowners. The above-named organizations must respectfully **OPPOSE AB 1498 (LOW)**, as introduced February 19, 2021, which would require insurers to notify policy holders or any other person designated by the named insured, by certified mail, of notice of cancellation for nonpayment of premiums.

While we appreciate the author's efforts to ensure insurance policy holders are not subject to an unintended lapse and termination, we disagree with the need for this legislation.

Currently, insurers providing personal property insurance are required to provide notices of cancellation for non-payment 10 days prior to cancellation. These statutorily required notices can be sent electronically if a customer opts-in, otherwise the notice is sent by ground mail. In addition to this requirement, most insurers provide at least one other method of notification. This can be an additional email or text message, based on the customer's preference. Insurers want to retain their customers.

We primarily oppose this legislation because we believe policyholders' needs are already being met by statute. In addition to the above notification, insurance companies must allow our personal property insurance customers to designate one other person to receive notices of cancellation of policy for nonpayment. Insurers are required to provide the ability to choose a designee within 30 days of the policy inception and every 2 years afterward (Insurance Code 396).

Additionally, in the case of a declaration of disaster, the Department of Insurance is required to provide property owners or their legal representative any information they have on the potential insurer of their property. This is a failsafe created if an insured cannot remember or is harmed

during a natural disaster and there is a need to identify their insurer when they are incapacitated (Insurance Code 2085).

Nearly every homeowner's insurance policy in California (approximately 7 million) is above the \$100,000 threshold stated in the bill. The USPS 2021 fee for certified mail is \$3.60. This additional fee will add up to millions of dollars in administrative costs for the insurance industry.

In addition to the increased administrative costs, we oppose this legislation because certified mail is inconvenient and places additional burdens on policy holders. Certified mail requires a signature upon receipt. If an insured is not home at the time of receipt, the post office will hold the letter for a total of 15 days. Five days after the initial delivery attempt, a second and final notice is given to the recipient. During this time, the burden of retrieving the letter is placed on the recipient, who must go to the post office to retrieve the letter. If the recipient fails to pick up the certified mail within 15 days, the letter is then sent back to the sender. This process will likely delay the receipt of the letter beyond the 10-day required notice.

In addition to the inconvenience caused to policyholders, the requirement to sign for a certified letter during a pandemic is unsafe and causes unnecessary exposure for our policy holders. AB 1498 does not make clear whether or not insurers would be required to resend the certified mail, thereby incurring additional costs.

In summation, current law provides an opportunity for consumers to designate another individual to receive notifications. This bill would force insurers to incur millions of dollars of administrative fees associated with certified mail, and place additional burdens on policy holders. For the above reasons, PIFC, APCIA, NAMIC and PADIC must respectfully **OPPOSE AB 1498 (LOW)**.

If you have any more questions, please contact Deanna LaTour-Jarquin, PIFC, at (925) 395-8802, Mark Sektnan, APCIA, at (916) 716-7902, Christian Rataj, NAMIC, at (303) 907-0587, and Shari McHugh, PADIC, at (916) 930-1993.

CC: Assemblymember Evan Low, Author
Kathleen O'Malley, Chief Consultant, Assembly Insurance Committee
Bill Lewis, Consultant, Assembly Republican Caucus
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor
Michael Martinez, Senior Deputy Commissioner and Legislative Director,
California Department of Insurance