

**Association of California
Insurance Companies
1121 L Street #406
Sacramento, CA 95814
Contact: Sam Sorich
916-442-4581**

**Personal Insurance Federation
of California
980 Ninth Street #2030
Sacramento, CA 95814
Contact: Jerry Davies
916-442-6646**

INSURANCE COMMISSIONER ENJOINED FROM IMPLEMENTING FLAWED FAIR CLAIMS SETTLEMENT PRACTICES REGULATIONS

SACRAMENTO, CA --(July 23, 2003) --Three statewide insurance trade associations won a preliminary ruling yesterday by the Superior Court of California enjoining the California Department of Insurance from implementing a new set of amendments to the Fair Claims Settlement Practices Regulations scheduled to take effect July 23, 2003. The court's ruling preserves the status quo, pending a hearing on the merits of the petition expected later this year.

The Personal Insurance Federation of California, Association of California Insurance Companies and the Surety Association of America won the preliminary injunction when the Superior Court concluded that, "the plaintiffs have a reasonable probability of prevailing on the merits, specifically, that the Commissioner is acting in excess of his authority in that many of the Regulations amount to improper legislation of mandating policy benefits."

"We are pleased with the court's ruling," noted Sam Sorich, president of the Association of California Insurance Companies, "because there are serious flaws in the regulations and the ruling will prevent the companies from having to incur millions of dollars in extra costs in order to comply with new provisions that are not valid. Meanwhile, companies will continue to follow the existing requirements of the Fair Claims Settlement Regulations."

Diane Colborn, vice president of legislative and regulatory affairs for the Personal Insurance Federation of California stated, "our member companies felt the new regulations were issued without legal authority and would have been costly and burdensome to implement. The court's order enjoins all provisions of the new regulations from taking effect until a hearing on the merits can be held and that is anticipated for later this year. The injunction however, will remain in effect until that hearing. "

Colborn and Sorich cited a few examples of why the court issued the injunction.

- The Regulations restrict an insurer's ability to account for the condition of a total loss vehicle and impairs the insurer's ability to determine fair market value of the vehicle just prior to loss.
- The Regulations impose a higher standard on insurers than is imposed under current California law.

Colborn and Sorich noted, "the new Regulations would have also imposed penalties on insurers for a single act of non-compliance with the Regulations regardless of whether the act was the result of a reasonable mistake. We feel that when the new Regulations do go to trial, the court will concur with our arguments as noted in the injunction order, 'that the Regulations are well in excess of the Commissioner's authority or simply unclear,' and thus bad for the insurance consumers of California."

They concluded, "we want to work with the Commissioner and the CDI to find solutions to any problems within the insurance industry. However, we have to seek help from the court when we feel regulations exceed the law."