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**INSURANCE COMMISSIONER'S SCARE TACTICS HURT  
INSURANCE CONSUMERS ACCORDING TO PIFC**

**SACRAMENTO, CA.--** (April 13, 2005) -- Charges by the California Department of Insurance (CDI) that homeowners' insurers are arbitrarily nonrenewing or raising rates on homeowners who file one claim or make an inquiry about their coverage is nothing more than political scare-tactics with no basis in fact. That is the word from the Personal Insurance Federation of California (PIFC), an insurance trade association representing insurers that write more than 50 percent of homeowners' insurance policies in California.

A PIFC-sponsored telephone poll of representatives of insurance companies that write more than **90 percent** of all the homeowners' insurance policies in California found only 1/2 of 1 percent of policyholders are nonrenewed in a typical year.

"The reasons for nonrenewal of a homeowners' policy range from nonpayment of a premium to needed repairs or hazards not being remedied within a specified time," explained Dan Dunmoyer, president of PIFC. "Policyholders can and should file a claim when they have a loss."

On April 24, 2003, CDI issued an "Advisory Notice" placing new underwriting and claims handling restrictions on all homeowners' insurers to stop what CDI called "arbitrary nonrenewals of homeowners' policies and rate increases." The industry challenged the regulations and in fact the Superior Court and later an Appeals Court agreed that the regulations were illegal.

A main contention in the regulations is CDI's criticism of the use of outside data bases. According to CDI, the collection of information in 2002-2003 led to "thousands of complaints" regarding the alleged nonrenewal of policies. Dunmoyer explained that insurers don't need external records on their policyholders because they maintain their own data. "The only time insurers have any use for outside data is when evaluating a new policy," Dunmoyer added.

Mr. Dunmoyer said the facts speak for themselves. In the regulations CDI charged that there was an unprecedented increase in the number of justified complaints relating to cancellation, nonrenewal and availability of homeowners' insurance in the state. CDI claimed:

- From July 1, 2001 to June 30, 2002 justified complaints totaled 1,891.
- From July 1, 2002 to June 30, 2003, justified complaints totaled 3,230.

However, PIFC went directly to the CDI website at [www.insurance.ca.gov/docs/FS-Consumer.htm](http://www.insurance.ca.gov/docs/FS-Consumer.htm) and found the following:

- **All justified homeowners' insurance complaints** on all aspects of homeowners' insurance for the top 50 homeowners' insurance companies representing 90+ percent of the market for the entire year of 2001, equaled 142 out of nearly 8 million homes.
- **All justified homeowners' insurance complaints** on all aspects of homeowners' insurance for the top 50 homeowners' insurance companies representing 90+ percent of the market for the entire year of 2002, equaled 319 out of nearly 8 million homes.
- **All justified homeowners' insurance complaints** on all aspects of homeowners' insurance for the top 50 homeowners insurance companies representing 90+ percent of the market for the entire year of 2003, equaled 540 out of nearly 8 million homes. This does not include all of the 2003 Southern California fire loss complaints.

PIFC found no indication of "thousands" of justified complaints on any homeowners' insurers arbitrarily nonrenewing. For that matter, there weren't "thousands of complaints" on any single aspect of homeowners' insurance.

Other CDI attacks on the insurance industry deal with the 2003 Southern California fires. "CDI reported well over 18,000 claims filed (the insurance industry tallied 19,100) following the wildfires. The Commissioner conducted **11 town hall meetings** throughout the fire stricken areas in 2004 pleading with fire survivors to file complaints with CDI because insurers had deliberately underinsured policyholders and would refuse to pay claims, raise rates and arbitrarily nonrenew and cancel policies. CDI received only 676 requests for assistance as a result of those meetings -- the "thousands" of non-renewal complaints are just not there," Dunmoyer said.

"Insurers cannot arbitrarily raise rates," Dunmoyer explained. "Under California law, insurers must justify each rate by submitting detailed actuarial and statistical data to CDI for every rate charged and cannot use any rate until it is approved by CDI. So how, under California law, can an insurance company arbitrarily raise a rate?" Dunmoyer asked.

Dunmoyer concluded, "an insurer's number one obligation after providing an insurance policy is to pay every legitimate claim. Commissioner Garamendi must stop the political scare-tactic rhetoric and fairly regulate the insurance industry under the laws he was elected to uphold."

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