



NEWS

Press Briefing: Thursday, June 30, 2005 – 10:00 a.m.

TO: CALIFORNIA MEDIA

RE: Legislation and Regulatory Actions in the 2005 Legislative Session Which Affect California Personal Lines Insurers and their Customers

FROM: The Personal Insurance Federation of California
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WHEN: **June 30, 2005 – 10 a.m., via telephone conference.**
THIS TELECONFERENCE IS FOR MEDIA ONLY.
For call in number, please call Julie Andrade at (916) 442-6646.

PIFC is tracking all measures thus far this legislative session which have the potential, directly or indirectly, to affect the personal lines insurance industry and its customers. The following bills and regulatory issues will be discussed during the teleconference briefing.

Earthquakes and the California Earthquake Authority (CEA)

Six significant earthquakes have struck off the California coast and inland, with the most recent being near South Lake Tahoe in the past two weeks. The CEA, a privately funded, publicly operated earthquake insurance company formed by the Legislature and enacted in December, 1996 is financially able to handle two back-to-back earthquakes with a magnitude on the Richter scale of 6.7. PIFC member companies write more than 52% of the earthquake policies in force in the CEA. PIFC executives will bring the media up to date on the financial status of the CEA.

Seismic Safety

AB 1374 (Liu) deletes the July 7, 2007 sunset date on the Seismic Safety Account, thereby extending the source of funding for the California Seismic Safety Commission (CSSC) indefinitely. Founded in 1974, the CSSC was funded through the state's General Fund until 2003. Due to the budget crunch in the state, the CSSC, since 2003, has been funded by assessments on in-force commercial and homeowner property insurance

policies. PIFC believes the assessments are taxes and are unfair and potentially illegal. PIFC executives will explain. PIFC Position: Oppose.

Medi-Cal Liens Bill

SB 399 (Escutia), a health services bill that is nothing more than a hidden tax that would force all California insurance consumers to subsidize the State's long-term failure to adequately fund its Medi-Cal program. SB 399 allows personal injury lawyers to sue another party for not only the Medi-Cal cost for providing care, but for significantly higher than contractual rates between hospitals and insurance companies. The bill creates an incentive for personal injury lawyers to seek the highest medical reimbursement rate possible, thus extracting bigger settlements and verdicts and higher attorneys' fees. It makes the system worse and will definitely shift responsibility to many Californians who can't afford the added expense. PIFC executives will explain. **PIFC Position: Oppose.**

Homeowners' Insurance

SB 2 (Speier): Although PIFC is appreciative of a number of amendments the author has made to the measure but, regrettably must continue to oppose SB 2 unless amended to address the substantial costs that will be added to millions of customers that our member companies serve. This bill makes a number of substantive changes to the way California insurance companies handle the adjusting and managing of claims following major fires and catastrophic losses. This bill will be heard in the Senate Insurance Committee on June 29th. **PIFC Position: Oppose Unless Amended.**

SB 518 (Kehoe) makes a number of changes in the way homeowners' insurance companies provide insurance in the state of California. Many of the changes PIFC believes will add substantial cost and complexity to the delivery of homeowners' insurance in the state. PIFC executives will explain the negative effects of the changes, especially unreasonable requirements during the initial stages of recovery following a disaster. SB 518 will be heard in the Assembly Insurance Committee June 29th. **PIFC Position: Oppose Unless Amended.**

SB 150 (Escutia) would require a number of unnecessary mandates on insurance companies that will do nothing but substantially increase the costs of doing business in the state of California; costs which will eventually have to be borne by all policyholders. The mandates range from written documentation for information that is normally provided in one-on-one conversations with policyholders to requiring insurers to provide information in writing that is not even needed in the underwriting process. PIFC executives will explain the negative effects of SB 150. **PIFC Position: Oppose.**

Auto Insurance

SB 20 (Escutia) expands the Low-Cost Automobile Insurance Program to the counties of Alameda, Fresno, Orange, Riverside, San Bernardino and San Diego and is attempting to make the program permanent in Los Angeles and San Francisco and extend the initial sunset date of the program from January 1, 2007

to 2012. PIFC believes there needs to be a definitive study of the progress of the current program before the sunset is extended or eliminated. PIFC executives will explain the objections to SB 20. **PIFC Position: Oppose Unless Amended.**

SB 597 (Torlakson) changes from seven to ten years the requirement for a person qualified to purchase a Good Driver Discount auto insurance policy if he or she meets specified criteria, including not having been convicted of specified offenses relating to driving while intoxicated. **PIFC Position: Support.**

SB 60 (Cedillo) this one?

Small Claims Court

AB 1459 (Canciamilla) and **SB 422** (Simitian), two small claims court bills that would increase the monetary jurisdictional limit for natural persons in small claims matters from \$5,000 to \$7,500. The bills would mean that more customers would lose their contractual right to a defense and small claims courts should be reserved for cases where compromise is needed. Claims that are substantial should not be placed in small claims courts. **PIFC Position: Oppose Unless Amended.**

AB 1183 (Vargas)—FRAUD?????

California Department of Insurance (CDI) Regulations

Prior Approval Regulations.

CDI's prior approval regulations workshop was held June 24th in San Francisco. The workshop was a discussion of phase two of the prior approval regulations. The consensus of the group was that CDI is currently using underground prior approval regulations, which it wants to resolve and enhance through the current regulatory proposal. Unfortunately, the proposal is incomplete and piecemeal. The proposal would cause a loss of competition in the marketplace and disrupt all insurance markets statewide, increasing insurance costs faced by all consumers. **PIFC executives will explain.**

SIU Regulations. CDI released the latest version of the SIU regulations on June 9 th. PIFC is working closely with CDI to address concerns and believe we are close to resolving outstanding issues. **PIFC executives will elaborate.**

Reinsurance Regulations. A technical working group session was conducted by CDI on June 16th in San Francisco to review CDI's proposed reinsurance regulations. Of greatest concern to industry participants is how CDI's proposed regulations are a huge deviation from the current National Association of Insurance Commissioners (NAIC) model standard, once again placing California outside of the mainstream. CDI indicates it will publish a

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revised regulatory proposal by summer 's end. Meanwhile, PIFC and other trades will work with CDI to make appropriate changes in order to keep the regulations in line with NAIC. **PIFC executives will explain.**

Fire Safety

The fire season is well underway in California, especially in the South where several fires the past week have scorched more than 70,000 acres and burned six homes to the ground. PIFC is sponsoring **AB 1718** (Mountjoy) requires the State Fire Marshal to recommend by July 1, 2006 an improved covering for attic and subfloor vents, and over the outlet of every chimney or stovepipe that is attached to a fireplace, stove, or other device that burns any solid or liquid fuel in all residential homes in the high fire prone areas of California. **PIFC Position: Support.**

Credit Scoring

SB 603 (Ortiz) prohibits an insurer from using credit ratings, credit reports, credit scoring models, or credit information to underwrite, classify, or rate certain automobile and property insurance policies. The bill prohibits an insurer from refusing to issue those policies, and from non renewing or canceling those policies based upon credit. **PIFC Position: Oppose.**