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News Release

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Sacramento to Consider Crash Tax

SACRAMENTO – Sacramento is the latest local government in California to consider imposing an unfair crash tax on out-of-town motorists who are involved in local auto accidents, said Sam Sorich, president of the Association of California Insurance Companies (ACIC).

The Sacramento City Council’s Law and Legislation Committee is scheduled to consider an ordinance imposing the tax at its meeting Tuesday (July 20) at 3 p.m. The meeting is at Sacramento City Hall, 915 I Street. ACIC intends to testify against the tax proposal.

“It is unfortunate that local governments are adversely affected by the deep recession. But charging accident victims is unwise public policy and unfair,” said Sorich.

The proposed Sacramento ordinance anticipates the city contracting with a third-party vendor that will bill non-residents who are involved in motor vehicle accidents in Sacramento. Sorich noted that vendors have been hired by several other California local governments.

In most cases, the vendor sends bills that are supposed to cover accident response costs to the victims’ auto insurers. Some insurers pay the bill, others do not. Therefore, some policyholders can get stuck with the bill. When the bills are covered by insurance policies, the cost of the bills drive up auto insurance rates for all motorists.

Sorich explained, “ACIC opposes these billing schemes because they impose unfair crash taxes on insurance customers and could confront insurance company customers with higher premiums.”

Sorich pointed out that concerns already have been raised in one municipality – Woodland near Sacramento. The Woodland City Council adopted a crash tax in June 2009. Since then the Yolo County Grand Jury has raised questions about the legality of the tax and has found that the tax does not appear to be producing its projected revenue.

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