



March 31, 2020

VIA EMAIL

The Honorable Ricardo Lara
Insurance Commissioner
State of California
300 Capital Mall, Suite 1700
Sacramento, CA 95814

Re: *Private Passenger Auto Rate Applications of Farmers Insurance Exchange, Mid-Century Insurance Company, and Truck Insurance Exchange, File No. PA-2019-00004 (Rate File Nos.: 20-214, 20-214-A, 20-214-B, 20-237, 19-237-A, 19-237-B, 19-238, 19-238-A, and 19-238-B)*

Dear Commissioner Lara:

We write to urge you to reject Farmers' above-referenced 2020 rate applications, which seek to hike rates on its drivers another 6.5–6.9% overall and to continue Farmers' unfairly discriminatory three-tiered rating system under which 62% of Farmers' auto policyholders (insuring over 1.1 million cars) who are not employed in one of Farmers' preferred "Business and Professional" occupations continue to pay the highest premiums.

Under Farmers' *current* rates, our first responders on the front lines of the battle against COVID-19 – ***police officers, firefighters, and nurses*** ("Business and Professional Group II") – ***pay up to 7.2% more for their auto insurance than doctors, engineers, accountants, and scientists*** ("Business and Professional Group I"). ***All other Farmers customers, including janitors, grocery clerks, and warehouse workers, pay up to 13.9% more*** than doctors, engineers, accountants, and scientists for all coverages combined, all other characteristics being equal. These are the very workers that can least afford to pay higher premiums, especially during the current COVID-19 pandemic.

The Department last approved Farmers' unfairly discriminatory occupation-based rating system over Consumer Watchdog's objections on December 23, 2019, along with an overall rate hike for all policyholders of 7%. (See Consumer Watchdog's Nov. 13, 2019 letter to the Commissioner and the Commissioner's Dec. 23, 2019 Decision Denying Petition for Hearing in *In the Matter of the Rate Applications of Farmers Insurance Exchange, Mid-Century Insurance Company, and Truck Insurance Exchange*, File No. PA-2019-00004.)

That rate hike took effect on March 10, 2020.

Now, Farmers is back again, this time asking to hike its rates by an additional 6.8 % overall for police officers, firefighters, and nurses in Group II, and 6.5% overall for doctors,

engineers, and scientists in Group I, and 7% overall for everyone else, including janitors, grocery clerks, and delivery workers. At the same time, Farmers proposes ***maintaining the same unfairly discriminatory rate disparities between these groups of up to 14% based solely on occupation.*** Once again, we urge the Commissioner to reject Farmers' 3-tiered occupational rating system and deny its request for another round of rate hikes ***after just implementing a 7% rate hike a couple weeks ago.***

These serial rate increase requests indicate that Farmers is gaming the rate application process in order to avoid the public hearing that would be required for a proposed rate increase of 7% or more.

Policyholders should not have to bear a collective double-digit rate hike in one year, especially in the current stressful economic situation when many workers are facing loss of income due to the global pandemic. Even Farmers' own rate templates show that its current rates are providing ample revenue – meaning another rate hike is not necessary. Indeed, Farmers' data show that it could *lower* its present rates by 5–17% under the minimum permitted premium established by the Proposition 103 ratemaking formula. And that calculation does not take into account the windfall that is accruing to insurance companies every day that California motorists are sheltering in place and not driving their vehicles. Parked cars and grounded drivers cannot get into car accidents. Farmers and other auto insurance companies are pocketing the savings.

Finally, low-income drivers who can least afford it should not have to pay more based solely on their occupation, which has never been approved by regulation as a lawful rating factor under Proposition 103.

In September 2019, the Department released a report confirming complaints by Consumer Watchdog that, in violation of Proposition 103, insurance companies are surcharging California drivers based on nothing more than their occupation or educational status. The data shows that drivers in the highest per capita income ZIP codes are more than twice as likely to receive occupational-based discounts than drivers in the lowest per capita income ZIP codes; and only 29% of drivers in predominately minority ZIP codes receive such discounts as compared with 47% of drivers living in ZIP codes with a predominately white population.¹ In addition, 75% of drivers in Underserved Communities as defined by California Code of Regulations title 10, section 2646.6(c) do not receive these discounts.

Despite the Department's findings and the initial steps you have taken by holding a workshop on draft regulations aimed at curbing this discriminatory occupation-based rating, low-income and minority drivers are paying the highest rates at 7 of the top 10 insurance companies, including Farmers, which ranks second in private passenger auto insurance market share in California. The voters passed Proposition 103 to stop this kind of unfair rate discrimination based on income or race. We urge you to (1) reject Farmers' pending 2020 auto rate hike applications; and (2) move forward rapidly to amend and strengthen the draft regulations the Department proposed last December to prohibit unfair discrimination based on occupation and

¹ *Id.* As only about 1/3 of companies the Department surveyed provided the requested data, we urge the Commissioner to subpoena the remaining companies to submit their data and disclose all data to the public.

Insurance Commissioner Ricardo Lara

March 31, 2020

Page 3 of 3

education; and (3) notice the amended regulations for public comments and hearing so that final regulation can be implemented and consumers who can least afford it can stop paying these unlawful overcharges.

Thank you for your attention to this matter.

Sincerely,



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