



June 10, 2020

VIA EMAIL

Michael Riordan, Attorney
California Department of Insurance
Enforcement Bureau
1901 Harrison Street
Oakland, CA 94612

Re: Comments re Revisions to the Low Cost Automobile Insurance Plan of Operations (Schedule of Rates and Premiums), REG-2020-00005

Dear Mr. Riordan:

I write on behalf of Consumer Watchdog to provide comments in the above-referenced proceeding regarding the rate filing submitted by CAARP seeking an overall 3.8% rate increase for the Low Cost Auto Insurance Program. Based on our consulting actuary's review, Consumer Watchdog did not find material actuarial issues with the rate filing based on the information and data provided. However, the proposed rates are based on data ending September 30, 2019 that obviously do not reflect the unprecedented shutdown of virtually all economic activity in the state due to the COVID-19 pandemic. According to UC Davis's *Special Report: Impact of COVID-19 on California Traffic Accidents*, during this time reduced driving has resulted in fewer accidents, injuries, and fatalities on public highways and roads, which will in turn impact claims payments. The Department should consider this impact on this filing as it has with other auto insurance rate filings in the standard market, many of which have been withdrawn in recent months.

We are very concerned about imposing any rate increases during these difficult times on Low Cost Auto insurance customers, many of whom have likely faced loss of jobs and income in recent months that may continue indefinitely into the future. While some counties in northern and central California would receive needed rate decreases under CAARP's proposed rates, we are especially concerned that Low Cost Auto customers in Orange and Los Angeles Counties (Group 5) would see average increases of 4.3%, and average rates would increase by 7.3% in several other counties including Ventura, San Bernardino, Riverside, and San Diego (Group 2).¹ We request further information from CAARP's actuary, including supporting data, to explain how these county groupings were selected.

¹ See LCAIP Rate Filing, Exh. 6 (Determination of Base Rates by Territory). Other counties in Group 2 that would be subject to an overall rate increase of 7.3% include Alpine, Amador, Calaveras, El Dorado, Imperial, Inyo, Kern, Mariposa, Mono, Nevada, Placer, Sierra, Tuolumne, and Yuba. Youthful and inexperienced drivers in those counties would be subject to even higher premium surcharges. (See LCAIP Rate Filing, Exh. 7 [Plan of Operations, Exh. E].)

The proposed Low Cost Auto rates are based on 2017–2019 data² with a proposed effective date of January 1, 2021 for new business and March 1, 2021 for renewal business. By that time, additional data for the last quarter of 2019 and at least the first three quarters of 2020 will likely support lower rates, meaning that the new rates would be excessive immediately upon taking effect. Indeed, most major auto insurers in the standard market that had pending auto insurance rate applications seeking increases based on pre-pandemic data have withdrawn their filings. For these reasons, we urge you to defer a decision on this filing until data through September 30, 2020 becomes available, which will more accurately reflect reduced accidents and claims as a result of people driving less in 2020. We also request that additional data be placed into the public record as soon as it becomes available.

The April 13 and May 15 Bulletins issued by the Commissioner recognize the impact of reduced driving due to the stay-at-home orders by directing private passenger auto insurance companies to issue premium refunds for the months of March, April, and May 2020. We understand that CAARP has committed to issuing 30% premium refunds to Low Cost Auto customers for the months of March–May 2020. We request that any information and data that CAARP has submitted to the Commissioner or has in its possession in support of the amount and calculation of these COVID-19 premium refunds be made available to Consumer Watchdog and the public. We also request that CAARP indicate whether these refunds will continue into June and beyond.

Even as the stay-at-home orders are being modified to permit the resumption of some activities within the coming months, scientists and other experts suggest that the nation may need to accommodate restrictions for many months to come.³ Many Californians, especially those who may rely on the Low Cost Auto Program, will continue to face unemployment and loss of income. Others may be continuing to telecommute and/or staying at home to take care of children as schools and summer programs remain closed. This means that reduced driving patterns may continue well into the summer and fall months and additional premium refunds may be necessary. We request that the Department take this into account in reviewing the premium refund information provided by CAARP and in determining whether to extend the directives of the Commissioner’s April 13 and May 15 Bulletins for additional months beyond May 31, 2020.

Thank you for consideration of our comments and requests for further information.

Sincerely,



Pamela Pressley
Senior Staff Attorney

² Through September 30, 2019.

³ “The Coronavirus in America: The Year Ahead,” New York Times, April 19, 2020.

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