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Attorneys for CONSUMER WATCHDOG

BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Applications of

Farmers Insurance Exchange, Mid-Century Exchange Company, and Truck Insurance Exchange,

Applicants.

File No.: PA-2019-00004

CONSUMER WATCHDOG'S REQUEST FOR COMPENSATION

TABLE OF CONTENTS

I. INTRODUCTION

Consumer Watchdog, Intervenor in the above-entitled proceeding, submits this Request for Compensation ("Request") pursuant to Insurance Code section 1861.10, subdivision (b), and the intervenor regulations, California Code of Regulations, title 10 ("10 CCR"), § 2661.1 et seq. This Request seeks compensation in the total amount of $22,461.00[1] for Consumer Watchdog's substantial contribution to the Insurance Commissioner's ("Commissioner") decision to approve the "Regular" and Business and Professionals Group I and Group II rate applications (File Nos.: 19-716, 19-716-A, 19-716-B, 19-717, 19-717-A, 19-717-B, 19-689, 19-689-A, and 19-689-B) ["the Applications"]) of Farmers Insurance Exchange, Mid-Century Insurance Company, and Truck Insurance Exchange (together, "Applicants" or "Farmers"). This Request includes time spent working on this matter, including preparing this Request, through February 14, 2020. This Request is based on the facts and circumstances of this matter as summarized below, supporting exhibits, the record in this matter, and the accompanying Declaration of Pamela Pressley ("Pressley Decl.").

Consumer Watchdog initiated the proceeding on the Applications when it filed a Petition for Hearing, Petition to Intervene, and Notice of Intent to Seek Compensation ("Petition") on April 15, 2019, challenging Farmers' three-tiered rating system under which Farmers uses occupation and educational status, which are not approved rating factors, to charge higher premiums to drivers without certain Farmers' selected business and professional occupations in violation of Insurance Code sections 1861.05(a) and 1861.02(a) and the auto rating factor regulations.

Consumer Watchdog represented the interests of consumers and policyholders by raising issues in its Petition and subsequent requests for information and discussions with the Parties that were separate and distinct from those raised by the Department of Insurance (the "Department").

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[1] Consumer Watchdog seeks advocacy fees and expenses in the amount of $20,851.00 for the work of Consumer Watchdog's counsel and seeks $1,610.00 in fees billed by its consulting actuary and expert witness, Allan I. Schwartz. (See Exh. A (attached) for a summary of the fees and expenses requested.)

(Consumer Watchdog, the Department, and Applicants will be collectively referred to as the "Parties.") Consumer Watchdog also stated its objections in a letter directed to the Commissioner and copied to the Parties regarding Farmers' use of occupation and education to rate drivers, documenting the resulting premium disparities on individuals not in Farmer's lower-rated Business and Professional Groups I and II. Consequently, the Commissioner had all of this information available to him when making his decision.

As a result, Consumer Watchdog substantially contributed to the Commissioner's decision to approve the Applications, while acknowledging that the issues raised by Consumer Watchdog would be addressed in a rulemaking proceeding that "will likely lead to an industry-wide regulatory solution to Petitioner's allegations regarding Applicants' use of group rating plans." In light of the substantial contribution Consumer Watchdog made to the Commissioner's decision in this proceeding, as discussed further below, the compensation sought for its attorneys and actuarial expert fees is abundantly reasonable.

II. CONSUMER WATCHDOG IS ELIGIBLE TO SEEK COMPENSATION IN THIS PROCEEDING, AND ITS REQUEST IS TIMELY

The intervenor regulations provide, in part:

> A petitioner, intervenor or participant whose Petition to Intervene or Participate has been granted and who has been found eligible to seek compensation may submit to the Public Advisor, within 30 days after the service of the order, decision, regulation or other action of the Commissioner in the proceeding for which intervention was sought, or at the requesting petitioner's, intervenor's or participant's option, within 30 days after the conclusion of the entire proceeding, a request for an award of compensation.

(10 CCR § 2662.3(a).) Consumer Watchdog is a long-time participant and intervenor in Department proceedings and a nationally recognized consumer advocacy organization. The Commissioner issued Consumer Watchdog's latest Finding of Eligibility on July 12, 2018, in which he found Consumer Watchdog eligible for compensation and that Consumer Watchdog "represents the interests of consumers."[2] The Commissioner granted Consumer Watchdog's

[2] Consumer Watchdog's current Finding of Eligibility succeeded prior determinations issued on July 24, 2016, July 24, 2014; July 24, 2012; July 2, 2010; August 25, 2008; July 14, 2006; July 2, 2004; June 20, 2002; October 1, 1997; September 26, 1995; September 27, 1994; and September 13, 1993.

Petition to Intervene in the proceeding on the Applications on or about April 15, 2019. (Ruling Granting Consumer Watchdog's Petition to Intervene, April 15, 2019, p. 4.) Thus, Consumer Watchdog is eligible to seek compensation in this matter.

Pursuant to 10 CCR § 2662.3(a), a request for compensation is due 30 days after service of the Commissioner's decision in the proceeding in which intervention was sought or 30 days after conclusion of the entire proceeding. The Commissioner issued his Decision denying Consumer Watchdog's Petition for Hearing on December 23, 2019, which was served on Consumer Watchdog the same day. (Decision Denying Petitioner's Petition for Hearing, December 23, 2019.) On January 14, 2020, Consumer Watchdog requested a 30-day extension to file its Request for Compensation by February 21, 2020. On January 17, 2020, both the Department and counsel for Farmers agreed to the requested extension. Accordingly, Consumer Watchdog's Request is timely pursuant to 10 CCR § 2662.3(a).

III. SUMMARY OF THE PROCEEDING

To demonstrate Consumer Watchdog's substantial contribution to the Commissioner's decision in this proceeding and to demonstrate the reasonableness of the advocacy and witness fees requested, set forth below is a summary of Consumer Watchdog's participation in this matter.

A. Consumer Watchdog Petitioned for Hearing, Identifying Several Issues with the Applications.

On or about February 11, 2019, Applicants filed Prior Approval Rate Applications with the Department. (Pressley Decl., ¶24.) The Department notified the public of the Applications on or about March 1, 2019. (*Id.*)

On April 15, 2019, pursuant to Insurance Code section 1861.10(a), Consumer Watchdog filed its Petition (Pressley Decl., ¶25) challenging Applicants' use of education and occupation to create three separate base rate tiers for its Regular program and Business and Professional Groups I and II in violation of sections 1861.05(a) and 1861.02(a), and 10 CCR § 2632.5(d). Specifically, Consumer Watchdog alleged that use of these different base rates to charge rates and premiums based on education and occupational status, which are not approved rating factors, results in excessive and/or unfairly discriminatory rates in violation of sections 1861.02(a)(4) and

1861.05(a), and the application of unauthorized rating factors in violation of section 1861.02(a)(1)–(3) and the auto rating factor regulations at 10 CCR §§ 2632.4 and 2632.5.

The Commissioner granted Consumer Watchdog's Petition to Intervene in the proceeding on the Applications on May 6, 2019, finding that "CW has raised and seeks to address issues that are relevant to the ratemaking process." (Ruling Granting Consumer Watchdog's Petition to Intervene, May 6, 2019, p. 4, lines 13–14.)

B. Consumer Watchdog Requested Additional Information from Farmers and Participated in Discussions with the Parties Regarding the Issues Identified in the Petition and Additional Submissions.

Consumer Watchdog sent Farmers requests for information on October 30, 2019, including seeking information, data, and analyses related to Farmers' selection of occupations to include in its Business and Professionals Groups I and II, proof of eligibility for such groups, and any determination of the predictive value or homogeneity of risk of such occupational groupings. (Pressley Decl., ¶27; see also Exh. B attached hereto.) Farmers responded to these requests on November 4, 2019 and November 6, 2019. (Pressley Decl., ¶27; see also Exhs. C–D attached.)

On November 6, 2019, Consumer Watchdog participated in a teleconference with the parties to discuss the issues raised by its Petition and Requests for Information. (Pressley Decl., ¶28.) Subsequently, Consumer Watchdog sent a letter to the Commissioner on November 13, 2019, copying the Parties, urging him to reject Farmers' premium differentials based on occupations under which doctors, engineers, accountants, and scientists ("Business and Professional Group I") are offered the lowest rate, its "Business and Professional Group II" (including police officers, firefighters, and nurses) pay up to 7.19% more than "Business and Professional Group I," and all others, including janitors, factory workers, and waiters who do not have one of these preferred occupations, pay up to 13.81% more, all other characteristics being equal. (Pressley Decl., ¶28; see also Exh. E attached.) Farmers responded to Consumer Watchdog's letter on November 14, 2019.

C. The Commissioner Approved the Applications, Declining to Address Consumer Watchdog's Allegations in the Context of this Rate Challenge.

On December 23, 2019, notwithstanding that the Department's own investigation released in September 2019 found this practice causes "wide socioeconomic disparities" with the most adverse impact falling on low-income drivers and communities of color,[3] the Commissioner issued his Decision Denying Consumer Watchdog's Petition for Hearing. (Pressley Decl., ¶29.) The Decision acknowledged that "[d]uring the [CDI's] investigatory hearing the Commissioner received evidence that the use of group plans based on education and occupation factors may have an unfairly discriminatory rating impact for certain California consumers, which is prohibited by Insurance Code section 1861.05, subdivision (a)." (Decision at 4:8–11.) The Decision further stated that "the Commissioner has chosen to address on an industry-wide basis concerns about potentially unfairly discriminatory rates due to use of group plans" by initiating a "prenotice public discussion" that "will likely lead to an industry-wide regulatory solution to Petitioner's allegations regarding Applicants' use of group rating plans." (*Id*. at 4:15–16, 4:20–22.) Accordingly, the Commissioner denied Consumer Watchdog's petition, but concluded that "[i]f and when the Commissioner makes such regulatory changes, the Applicants along with other California insurers will be expected to promptly determine whether their group rating plans conform with the new regulations." (*Id*. at 5:22–24.)

IV. CONSUMER WATCHDOG IS ENTITLED TO AN AWARD OF ITS REASONABLE ADVOCACY AND WITNESS FEES

A. Consumer Watchdog Made a Substantial Contribution to the Commissioner's Final Decision.

Proposition 103 requires awards of reasonable advocacy and witness fees and expenses for persons who represent the interests of consumers and who make a "substantial contribution" to decisions or orders by the Commissioner or a court. Insurance Code section 1861.10(b), states:

> The commissioner or a court ***shall award*** reasonable advocacy and witness fees and expenses to any person who demonstrates that (1) the person represents the interests of consumers, and, (2) that he or she has made a substantial contribution to the adoption of any order, regulation or decision by the commissioner or a court.

(Emphasis added.) As the emphasized language makes clear, when the statutory criteria are met, an award of reasonable advocacy fees and expenses is mandatory. This provision affords

[3] Press Release, *California Department of Insurance, Commissioner Lara Sees "Disturbing" Disparities in Auto Insurance Discounts for Millions of Drivers* (Sept. 24, 2019).

insurance consumers the ability to have their interests represented on an equal basis with the interests of insurers and facilitates consumer participation in the enforcement of Proposition 103. (See *Econ. Empowerment Found. v. Quackenbush* (1997) 57 Cal.App.4th 677, 686 [the purpose of intervenor fees is to encourage consumer participation].) Moreover, the courts have held that section 1861.10(b) should be applied in a manner "which best facilitates compensation." (*Id.* at 686.)

Under the intervenor regulations,

> "Substantial Contribution" means that the intervenor substantially contributed, as a whole, to a decision, order, regulation, or other action of the Commissioner by presenting relevant issues, evidence, or arguments which were separate and distinct from those emphasized by the Department of Insurance staff or any other party, such that ***the intervenor's participation resulted in more credible, and non-frivolous information being available for the Commissioner to make his or her decision than would have been available to a Commissioner had the intervenor not participated.*** A substantial contribution may be demonstrated without regard to whether a petition for hearing is granted or denied.

(10 CCR § 2661.1(k), emphasis added.)

The detailed summary of this proceeding presented above, the accompanying Pressley Declaration, and the record in this proceeding make clear that Consumer Watchdog presented relevant issues and arguments that were separate and distinct from those presented by the Department. Among other things, (1) Consumer Watchdog's Petition and subsequent requests for information presented issues and analysis that were separate and distinct from the Department's; and (2) Consumer Watchdog presented arguments and issues during the Parties' teleconference and subsequent letter to the Commissioner that were separate and distinct from the Department's. (See Pressley Decl., ¶¶ 27–28.)

As a result of Consumer Watchdog's participation, the Commissioner had more credible and non-frivolous information available to make his decision in this matter than if Consumer Watchdog had not participated. Consumer Watchdog's substantial contribution in this proceeding, as detailed in section III above and in the accompanying Pressley Declaration and further evidenced by the record in this matter, is demonstrated by at least the following:

- Consumer Watchdog's Petition raised issues with the Applications regarding Farmers' use of education and occupation to create three separate rating tiers for its Regular program and Business and Professional Groups I and II, resulting in unfairly discriminatory rates under sections 1861.05(a) and 1861.02(a), and 10 CCR § 2632.5(d). (See Petition, pp. 3–5.)

- Consumer Watchdog submitted requests for information to Mercury requesting further documentation regarding issues raised in its Petition and subsequently identified.
- Consumer Watchdog's attorneys and its consulting actuary actively participated in the teleconference scheduled by the Department and communicated to all Parties via email regarding its requests and responses provided by Farmers.
- Consumer Watchdog documented its objections and the impact of Farmers' premium disparities in a letter directed to the Commissioner and copied to the Parties.

In sum, Consumer Watchdog's separate and distinct presentation of relevant issues, evidence, and argument provided in its Petition and written analyses and discussions with the Parties, as well as the additional information it elicited from Applicants in responses to issues raised by Consumer Watchdog, clearly meets the "substantial contribution" requirement of the Insurance Code and the regulations, having resulted in more relevant, credible, and non-frivolous information being available to the Commissioner in making his final decision approving the Applications as revised than if Consumer Watchdog had not participated.

B. Consumer Watchdog's Requested Fees Are Reasonable.

For its substantial contribution, Consumer Watchdog requests reasonable advocacy fees in the amount of $20,851.00 for the work of its counsel and paralegal. The requested fees, including the total hours of work performed, and the hourly rates of each Consumer Watchdog attorney are summarized in the attached Exhibit A, "Summary of Fees." Insurance Code section 1861.10, subdivision (b), requires an award of all "reasonable advocacy and witness fees" once the requirements of the statute are met, including making a substantial contribution. The procedural history of this matter set forth above and supported by the Pressley Declaration demonstrates the reasonableness of the compensation requested in light of the amount of work performed. The procedural history and Consumer Watchdog's time records (Pressley Decl., Exh. 1a) also demonstrate the work Consumer Watchdog performed in this proceeding.

As required by the regulations, the specific tasks performed by Consumer Watchdog's attorneys are set forth in its detailed time records attached as Exhibit 1a to the Pressley Declaration. (See Pressley Decl., ¶6 & Exh. 1a.) These time records were maintained contemporaneously and reflect the actual time spent and actual work performed, billed to the tenth of an hour, by all Consumer Watchdog legal staff who worked on this matter. (Pressley Decl., ¶6.) In preparing their respective time records for this request, Consumer Watchdog's legal staff exercised billing judgment and eliminated time entries where appropriate. (Pressley Decl., ¶5.) Consumer Watchdog submits that the time expended and work performed in the proceeding, as reflected in the time records, was reasonable and appropriate, and the minimum required to make a substantial contribution in this proceeding and to achieve the result obtained. (*Ibid.*)

The 2020 hourly rates set forth in Exhibit A are also reasonable and consistent with prevailing market rates. The intervenor regulations specify, "[t]he compensation awarded ***shall equal*** the market rate of the services provided." (10 CCR § 2662.6(b), emphasis added.) "Market rate" is defined as the "prevailing rate for comparable services in the private sector in the Los Angeles and San Francisco Bay Areas ***at the time of the Commissioner's decision awarding compensation for attorney advocates***, non-attorney advocates, or experts with similar experience, skill and ability." (10 CCR § 2661.1(c)(1), emphasis added.)

The qualifications and experience of Consumer Watchdog's attorneys and paralegal who performed work in this matter, Pamela Pressley, Daniel Sternberg, and Kaitlyn Gentile, are summarized in the Pressley Declaration. (Pressley Decl., ¶¶9–20.) The 2020 hourly rates of Consumer Watchdog's attorneys and paralegal are consistent with, if not less than, the prevailing market rates for attorneys of comparable skills and experience in the Los Angeles and San Francisco Bay Areas. (Pressley Decl., ¶¶7, 12, 16, 20; see also *id.*, Exh. 2.)

The Declaration of Richard M. Pearl ("Pearl Decl."), attached as Exhibit 2 to the Pressley Declaration, also confirms that the requested rates for Consumer Watchdog's counsel are consistent with prevailing market rates. The Pearl Declaration was filed on October 8, 2019 in connection with a Mercury writ matter arising out of a noncompliance proceeding and is equally applicable to this proceeding, given that Consumer Watchdog's 2020 rates are within the range of rates considered reasonable for attorneys with comparable experience at that time. Mr. Pearl is a recognized expert on attorneys' fees issues under California law. (See Pressley Decl., Exh. 2 [Pearl Decl.], ¶¶3–10.) The Pearl Declaration shows that Consumer Watchdog counsel's and paralegal's 2020 rates are well within, if not below, the range of non-contingent rates charged by California attorneys in the Los Angeles areas of equivalent experience, skill, and expertise for comparable services. (See *id.*, ¶¶8–11.) The Commissioner has also approved fee awards for Consumer Watchdog based on the same hourly rates Consumer Watchdog's legal staff is currently using in 2020 for work done in 2017–2019. (Pressley Decl., ¶7.)

Finally, this Request also includes the time expended preparing the instant Request for Compensation. This is also reasonable because the regulations permit reimbursement for preparation of a request for an award of compensation. (10 CCR § 2661.1(d).) Preparing such a request requires the intervenor to perform a comprehensive review of the record, review the regulations, cite to the record in this proceeding, review billing and expense records, and prepare the Request and supporting documents.

C. Consumer Watchdog's Expert Fees Are Reasonable.

Consumer Watchdog incurred reasonable expert fees of $1,610.00 for the actuarial consulting services of Allan I. Schwartz at AIS Risk Consultants, Inc. (See Pressley Decl., Exh. 3.) The specific tasks performed by Mr. Schwartz are set forth in the detailed billing records of AIS Risk Consultants, Inc. (*Ibid.*) Consumer Watchdog is informed and believes that these time records were maintained contemporaneously and reflect the actual time spent and actual work performed by Mr. Schwartz. (Pressley Decl., ¶23.) Pursuant to 10 CCR sections 2662.6(b) and 2661.1(c)(1), the expert fees billed for the actuarial consulting services of Mr. Schwartz and his staff at AIS Risk Consultants, Inc. reflect the current market rates for such services and amount to less than the total expert fees projected in Consumer Watchdog's Petition. (*Ibid.*; see Petition, Exh. A.)

Mr. Schwartz's over 30 years of professional actuarial experience includes being President of AIS Risk Consultants, Assistant Commissioner of the New Jersey Department of Insurance, and chief actuary of the North Carolina Department of Insurance. His resume is on file in several other Department rate proceedings, and can be viewed online at http://www.aisrc.com/allan_i_ schwartz.htm. (Pressley Decl., ¶23.) Consumer Watchdog submits that the time expended and work performed by Mr. Schwartz in this proceeding, as reflected in his time records, was reasonable and appropriate and the minimum required to achieve the result obtained. (*Ibid.*)

V. CONCLUSION

In sum, Consumer Watchdog made a substantial contribution to the Commissioner's decision approving Farmers' Rate Filings by identifying relevant issues and arguments as set forth in Consumer Watchdog's Petition and expanded upon in Consumer Watchdog's subsequent discussions with the Parties and letter to the Commissioner. In addition, during the course of the proceeding, Applicants submitted additional relevant information, argument, and analysis in response to the issues raised and requests for information by Consumer Watchdog that would not have otherwise been available had Consumer Watchdog not participated. Accordingly, Consumer Watchdog requests compensation in the total amount of $22,461.00 for its substantial contribution to the Commissioner's decision in this matter.

DATED: February 14, 2020

Respectfully submitted,
Harvey Rosenfield
Pamela Pressley

CONSUMER WATCHDOG

By: *Pamela Pressley*
Pamela Pressley
Attorneys for CONSUMER WATCHDOG

VERIFICATION OF PAMELA PRESSLEY

1. I am a staff attorney for Consumer Watchdog. If called as a witness, I could and would testify competently to the facts stated in this verification.

2. I personally oversaw the preparation of the attached pleading entitled "Consumer Watchdog's Request for Compensation" filed in this matter.

3. All of the factual matters alleged therein are true of my own personal knowledge, or I believe them to be true based upon the information available to me from Consumer Watchdog's files regarding this matter.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on February 14, 2020, at Los Angeles, California.

Pamela Pressley

Pamela Pressley

EXHIBIT A

EXHIBIT A

SUMMARY OF FEES AND EXPENSES

File No. PA-2019-00004

ITEMS	**COST**
1. **Consumer Watchdog's Fees**	
(Detailed in Billing Records attached as Exhibit 1a to Pressley Decl.)	
Pamela Pressley @ $595 per hour, 23.8 hours	$14,161.00
Daniel Sternberg @ $350 per hour, 15.4 hours	$5,390.00
Kaitlyn Gentile @ $200 per hour, 6.5 hours	$1,300.00
Subtotal of Consumer Watchdog Fees	**$20,851.00**
2. **Expert Witness Fees – AIS Risk Consultants, Inc.**	
(Detailed in Exh. 3 to Pressley Decl.)	
Allan I. Schwartz @ $805 per hour, 2 hours	$1,610.00
Subtotal of AIS Risk Consultants, Inc. Fees	**$1,610.00**
TOTAL ADVOCACY FEES AND WITNESS FEES:	**$22,461.00**

EXHIBIT B

From: Pam Pressley <pam@consumerwatchdog.org>
Date: Wednesday, October 30, 2019 at 5:43 PM
To: Ryan Chou <ryan.chou@farmersinsurance.com>, Nikki McKennedy <Nikki.McKennedy@insurance.ca.gov>
Cc: Harvey Rosenfield <harvey@consumerwatchdog.org>, Ben Powell <ben@consumerwatchdog.org>, Daniel Goodell <Daniel.Goodell@insurance.ca.gov>, Emily Ghallagher <Emily.Gallagher@insurance.ca.gov>, "Chao, Annie" <Annie.Chao@insurance.ca.gov>, Ken Allen <Ken.Allen@insurance.ca.gov>, "Wehmueller, Lynne" <Lynne.Wehmueller@insurance.ca.gov>, "Gammell, Adam" <Adam.Gammell@insurance.ca.gov>, "Cimini, Edward" <Edward.Cimini@insurance.ca.gov>, "Zhou, Ria" <Ria.Zhou@insurance.ca.gov>, "Bautista, Beverly" <Beverly.Bautista@insurance.ca.gov>, "Kuo, Darjen" <Darjen.Kuo@insurance.ca.gov>, Daniel Sternberg <danny@consumerwatchdog.org>, Alissa Vreman <alissa.vreman@farmersinsurance.com>
Subject: Re: Farmer IE, Mid-Century IC & Truck IE Rate Applications - CWD Petition for Hearing Re PC#19-716, 717 & 689 - CDI File No. PA-2019-00004

In advance of our call next week, please see attached Consumer Watchdog's Requests for Information to Farmers.

Thank you,

Pam
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Pamela Pressley
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310-392-8874 fax
pam@consumerwatchdog.org

From: Ryan Chou <ryan.chou@farmersinsurance.com>
Date: Thursday, October 17, 2019 at 3:41 PM
To: Nikki McKennedy <Nikki.McKennedy@insurance.ca.gov>, Pam Pressley <pam@consumerwatchdog.org>
Cc: Harvey Rosenfield <harvey@consumerwatchdog.org>, Ben Powell <ben@consumerwatchdog.org>, Daniel Goodell <Daniel.Goodell@insurance.ca.gov>, Emily Ghallagher <Emily.Gallagher@insurance.ca.gov>, "Chao, Annie" <Annie.Chao@insurance.ca.gov>,

In the Matter of the Rate Application of Farmers Insurance Exchange, Mid-Century Insurance Company, and Truck Insurance Exchange
PA-2019-00004, CDI File Nos. 19-716, 19-716-A, 19-716-B, 19-717, 19-717-A, 19-717-B, 19-689, 19-689-A, and 19-689-B

Consumer Watchdog's Requests for Information

Consumer Watchdog requests the following information from Applicant:

(1) All data and documents showing the risk of loss for the occupations and/or education-levels used to qualify for Business and Professionals Group I and Group II, including, but not limited to, by any of the following factors: credit score; multi-policy vs. auto-only; Bodily Injury limits; full coverage vs. liability only; and persistency.

(2) All data and documents related to the company's determination of which occupations to include in its Business and Professionals Group I and/or Group II. For example, documents showing why "Certified Public Accountants" qualify for the Group I rate, but bookkeepers do not. Documents showing why "Physicians/Surgeons" qualify for the Group I discount while "Registered Nurses" qualify for the Group II rate – and vice versa.

(3) All documents related to the company's requirements for new business insureds to prove eligibility for Business and Professionals Group I and/or Group II based upon the driver's occupation and/or education level.

(4) All documents related to the company's requirements for renewal business insureds to prove eligibility for Business and Professionals Group I and/or Group II based upon the driver's occupation and/or education level.

(5) All data and documents, including any analyses, such as multivariate, sequential, etc., that demonstrates or attempts to demonstrate the predictive value of the occupations and/or education levels used to qualify for Business and Professionals Group I and Group II.

(6) All data and documents, including any analyses, that demonstrate or attempt to demonstrate the similarity or homogeneity of risks within each Business and Professionals Group I and Business and Professionals Group II based upon the driver's occupation and/or education level.

EXHIBIT C

Subject: RE: Farmer IE, Mid-Century IC & Truck IE Rate Applications - CWD Petition for Hearing Re PC#19-716, 717 & 689 - CDI File No. PA-2019-00004

Date: Monday, November 4, 2019 at 5:07:15 PM Pacific Standard Time

From: Ryan Chou

To: Pam Pressley, McKennedy, Nikki

CC: Harvey Rosenfield, Ben Powell, Goodell, Daniel, Gallagher, Emily, Chao, Annie, Allen, Ken, Wehmueller, Lynne, Gammell, Adam, Cimini, Edward, Zhou, Ria, Bautista, Beverly, Kuo, Darjen, Danny Sternberg, Alissa Vreman

To Consumer Watchdog: Thank you for giving Farmers the opportunity to address your questions and concerns.

In response to the first request for information, we would like to share the following response:

> The information requested is not material to the filings. The Business and Professional Groups are consistent with California Code section 1861.12, have existed in their current iteration since inception, and have been incorporated in multiple approved rate filings. If the Department of Insurance revises requirements for all carriers around the use of 'affinity group' discounts, we will respond accordingly.

In response to the second request for information, our response is the following:

> The dollar amounts referenced ($1416.66, $1387.14, and $1483.60) are not the proposed Base Rates. They represent the proposed average premium per exposure for each program, which are the result of averaging the final premium of every exposure in each Business And Professional Group. Final premiums are the outcome of the Base Rates in conjunction with every other component of the Rate Order of Calculation. As an example, even if a policyholder from one Business And Professional Group has a lower Base Rate than another, the final premium could still be higher based on the policyholder's individual selections of coverage limits and options. It is not appropriate to look at the proposed average premium per exposure to determine if there is a discount applied since this calculation is the result of the different coverage selections and other mix characteristics of the exposures within each program. Instead, the proposed Base Rates are shown on Page 5 of your attached PDF and they solely determine if an exposure receives a Business and Professional Group discount. As displayed on Page 5, the Base Rates for Group II are in all cases lower than the Base Rates for the regular program ("All Others"), resulting in a discount for Group II policyholders in all scenarios.
>
> When situations exist with more than one named insured on a policy and there is at least one unrelated named insured on a policy, the highest qualifying discount will be given (which could either be the highest related or highest unrelated). For example, if one named insured qualifies for Group I and the other named insured qualifies for Group II, then the entire policy will be rated in the program with the higher discount and utilize the corresponding Base Rates of that program in the Rate Order of Calculation.

Please feel free to reply if you have any additional questions or concerns that we may address in advance of our call this Wednesday regarding our pending Personal Auto rate filings.

____

Ryan Chou, CPCU

EXHIBIT D

Subject:	RE: Farmer IE, Mid-Century IC & Truck IE Rate Applications - CWD Petition for Hearing Re PC#19-716, 717 & 689 - CDI File No. PA-2019-00004
Date:	Wednesday, November 6, 2019 at 1:14:35 PM Pacific Standard Time
From:	Ryan Chou
To:	Pam Pressley, Goodell, Daniel, Harvey Rosenfield, Ben Powell
CC:	Gallagher, Emily, Chao, Annie, Allen, Ken, Wehmueller, Lynne, Gammell, Adam, Cimini, Edward, Zhou, Ria, Bautista, Beverly, Kuo, Darjen, Danny Sternberg, McKennedy, Nikki, Alissa Vreman
Attachments:	CA Farmers Auto Current & Proposed Base Rates Dated 2-5-2019.pdf, Farmers CA Affinity Eligibility & Documentation Guidelines.pdf

(CC: CA Department of Insurance)

Dear Consumer Watchdog,

Thank you for speaking with us and giving us the opportunity to address your concerns today regarding our pending Personal Auto rate filings. As discussed on the phone call, Farmers is providing attachments here for you that contain the following:

1) The current (approved) Base Rates as well as the proposed Base Rates for each Business And Professional Group. The attached excerpt is furnished for your convenience, and can also be found in our pending filings.

2) Farmers' confidential California Affinity Eligibility and Documentation Guidelines, which we recently provided to the CA Department of Insurance for their data call. Please note that this internal document is proprietary and confidential, and the information contained within should not be shared or distributed.

We appreciate your prompt response so that we may conclude and address any remaining, relevant concerns you have specific to the proposed Base Rate changes in Farmers' pending Personal Auto rate filings.

Thank you again.

____
Ryan Chou, CPCU
Product Manager - CA Auto & Umbrella
Farmers Insurance Group
6301 Owensmouth Ave 108-065, Woodland Hills, CA 91367
(818) 965-0708 | www.linkedin.com/in/ryanchou | ryan.chou@farmersinsurance.com

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From: Pam Pressley [mailto:pam@consumerwatchdog.org]
Sent: Wednesday, November 6, 2019 12:40 PM
To: Ryan Chou <ryan.chou@farmersinsurance.com>; McKennedy, Nikki <Nikki.McKennedy@insurance.ca.gov>
Cc: Harvey Rosenfield <harvey@consumerwatchdog.org>; Ben Powell <ben@consumerwatchdog.org>; Goodell, Daniel <Daniel.Goodell@insurance.ca.gov>; Gallagher, Emily <Emily.Gallagher@insurance.ca.gov>; Chao, Annie <Annie.Chao@insurance.ca.gov>; Allen, Ken <Ken.Allen@insurance.ca.gov>; Wehmueller, Lynne <Lynne.Wehmueller@insurance.ca.gov>; Gammell, Adam <Adam.Gammell@insurance.ca.gov>; Cimini, Edward <Edward.Cimini@insurance.ca.gov>; Zhou, Ria <Ria.Zhou@insurance.ca.gov>; Bautista, Beverly <Beverly.Bautista@insurance.ca.gov>; Kuo, Darjen <Darjen.Kuo@insurance.ca.gov>; Danny Sternberg <danny@consumerwatchdog.org>; Alissa Vreman <alissa.vreman@farmersinsurance.com>

Subject: [EXTERNAL] Re: Farmer IE, Mid-Century IC & Truck IE Rate Applications - CWD Petition for Hearing Re PC#19-716, 717 & 689 - CDI File No. PA-2019-00004

All:

Just to reiterate, on our call CWD requested and Farmers has agreed to provide all documents/data that were provided to the CDI in response to the CDI's May 24, 2019 Affinity Group Survey (AGS-2019). Additionally, we requested and Farmers agreed to provide the pages from its rate manual showing the current base rates by coverage for each group in comparison to the base rates by coverage for each group proposed with the pending applications. If there is a marked up version of the rate manual that you can provide or point us to in the filing, that contains both the current and proposed base rates, please do.

Thank you,

Pam

--
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From: Ryan Chou <ryan.chou@farmersinsurance.com>
Date: Monday, November 4, 2019 at 5:07 PM
To: Pam Pressley <pam@consumerwatchdog.org>, Nikki McKennedy <Nikki.McKennedy@insurance.ca.gov>
Cc: Harvey Rosenfield <harvey@consumerwatchdog.org>, Ben Powell <ben@consumerwatchdog.org>, Daniel Goodell <Daniel.Goodell@insurance.ca.gov>, Emily Ghallagher <Emily.Gallagher@insurance.ca.gov>, "Chao, Annie" <Annie.Chao@insurance.ca.gov>, Ken Allen <Ken.Allen@insurance.ca.gov>, "Wehmueller, Lynne" <Lynne.Wehmueller@insurance.ca.gov>, "Gammell, Adam" <Adam.Gammell@insurance.ca.gov>, "Cimini, Edward" <Edward.Cimini@insurance.ca.gov>, "Zhou, Ria" <Ria.Zhou@insurance.ca.gov>, "Bautista, Beverly" <Beverly.Bautista@insurance.ca.gov>, "Kuo, Darjen" <Darjen.Kuo@insurance.ca.gov>, Daniel Sternberg <danny@consumerwatchdog.org>, Alissa Vreman <alissa.vreman@farmersinsurance.com>
Subject: RE: Farmer IE, Mid-Century IC & Truck IE Rate Applications - CWD Petition for Hearing Re PC#19-716, 717 & 689 - CDI File No. PA-2019-00004

Farmers Insurance Group
Mid-Century Insurance Company and Farmers Insurance Exchange
All Programs
State of California

Line of Business: Private Passenger Auto Liability and Physical Damage

Rate Distribution

Current Base Rates

	BI	PD	UMBI	UMPD 250	UMPD 500	UMPD Over 500	MED	COMP	COLL	TOW*	Total
Regular Program	241.66	238.93	30.00	3.56	5.46	8.91	46.79	71.23	228.00	6.72	n/a
Group I	209.18	214.20	24.41	3.13	4.80	7.83	37.78	68.14	200.10	6.72	n/a
Group II	220.28	232.27	27.19	3.30	5.06	8.25	43.36	67.22	217.30	6.72	n/a

Proposed Rate Change

	BI	PD	UMBI	UMPD 250	UMPD 500	UMPD Over 500	MED	COMP	COLL	TOW*	Total
Regular Program	11.4%	8.1%	30.0%	30.0%	30.0%	30.0%	9.2%	-0.4%	-2.2%	15.0%	7.0%
Group I	17.0%	2.8%	30.0%	30.0%	30.0%	30.0%	14.9%	-6.1%	-2.1%	15.0%	7.0%
Group II	15.4%	5.1%	30.0%	30.0%	30.0%	30.0%	10.0%	0.0%	-3.5%	15.0%	7.0%

Proposed Base Rates

	BI	PD	UMBI	UMPD 250	UMPD 500	UMPD Over 500	MED	COMP	COLL	TOW*	Total
Regular Program	269.31	258.33	39.00	4.63	7.10	11.58	51.08	70.98	222.98	7.73	n/a
Group I	244.74	220.24	31.73	4.07	6.24	10.18	43.42	63.98	196.00	7.73	n/a
Group II	254.20	244.02	35.35	4.29	6.58	10.73	47.70	67.22	209.69	7.73	n/a

* All programs have the same base rate for Towing coverage

California Affinity Eligibility and Documentation Guidelines (29,30,95,96,97,99)

Business and Professional Group Discount

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Architects	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Currently licensed Architect to practice in any state. or Bachelor degree, Master degree or PhD in Architecture.	Bachelors, Masters or PhD in Architecture from a four-year university. Photos of degree is acceptable. Documentation must clearly show full name, name of university, degree, and year of degree completion or A current/active license to practice as an Architect in any state of occupation. Website screenshot of license status is acceptable. Documentation must show state licensing bureau, full name of insured, license number, and active status or Letter from employer that confirms employment as an Architect	Transcripts are required if the degree does not specify the qualifying major field of study. A transcript from the foreign university should show a curriculum that is equivalent to the curriculum for the degree earned in the US. If we are unable to determine equivalency, a transcript from the foreign university translated in English is required for review. Verification available online www.DCA.CA.Gov
Aviation Professional	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Professional Airline Pilots with a current Airman Certificate or An Air traffic controller with a current Air traffic controllers certificate	Current/active Airman Certificate or Current/active Air traffic controllers certificate	No Private Pilot licenses.
Certified Public Accountants (CPA's)	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Active license as a Certified Public Accountant or Certified Management Accountant in any state. Active certification as a Certified Financial Planner in any state is acceptable. See CFP for documentation requirements.	Current/active Certified Accountant license or Certified Management Accountants license; Website screen shot showing license or credential status verification acceptable - must show state board, full name of insured, license number/credentials and active status.	Verification available online at www.DCA.CA.Gov Degrees in Accounting are not acceptable.

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Certified Financial Planners (CFP's)	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Active certification as a Certified Financial Planner in any state. Use the Accountant occupation to apply this discount.	Current/active Certified Financial Planner document; Website screen shot showing certified financial planner credentials acceptable - must show state board, full name of insured, license number/credentials and active status	
Dentists	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Currently licensed Dentists practicing General Dentistry or a Dental Specialty in any state or Current members of any state Dental Association.	Current/active State Board of Dentistry License from any state; Website screen shot showing online license status verification acceptable - Online license status verification must show state licensing bureau, full name of insured, license number, and active status or Verification of current membership from any state Dental Association	Verification available online at www.DCA.CA.Gov

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Educators	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Full-time licensed K-12 teachers licensed to teach in the 50 United States Full Time Private School Teacher with a Bachelor degree and at least 3 years of employment as a Teacher in the 50 United States	**Teachers** - a current/active teaching credential issued by any state of Commission on Teacher Credentialing; credential should include valid time frame (issue/expiration dates) Commission on Teacher Credentialing website requirements: Website screen shot showing license or credential status verification. Online verification must show state board, full name of insured, license number/credentials and active status. **Principals or Superintendents** - Current letter of employment, stating principal or superintendent **Private school teacher** - A current letter from the private school where they are employed stating that they have worked as a full time teacher for at least 3 years, and a Bachelors degree. **Public School teacher (K-12)** - Letter of employment from school district stating full-time teacher in the district. or Website screenshot showing status as a teacher or faculty member. Screen shot must include website URL, school logo, school name, and full name of insured.	No substitute, emergency, internship, or permit credentials accepted. State credentials for both public and private school teachers are acceptable. No screen shots of social websites like LinkedIn or Facebook are acceptable. Associate degrees are not eligible. Verification available online at http://www.ctc.ca.gov/ and click on "Search for an Educator".
College Educators / Professors	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Full-time College or University Professors and Instructors in any state Use the Educator occupation to apply this discount.	Letter from employing college stating active employment as a professor/instructor or assistant professor/instructor or Website screen shot showing status as a professor/instructor, assistant professor/instructor, or faculty member. Screen shot must include website URL, school logo, school name, and full name of insured.	No screen shots of social websites like LinkedIn or Facebook are acceptable.

[redacted]

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Engineers	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Bachelor degree, Master degree or PhD in Engineering or a state Professional Engineering license to practice as an Engineer	Bachelors, Masters or PhD in Engineering from a four-year university; Photos acceptable - must clearly show full name, name of university, degree, and year of degree completion or A current/active license to practice as an Engineer in any state of occupation.; Website screen shot showing online license status verification acceptable - must show state licensing bureau, full name of insured, license number, and active status. or Letter from employer that confirms employment as an Engineer	Transcripts are required if the degree does not specify qualifying major field of study. A transcript from the foreign university should show a curriculum that is equivalent to the curriculum for the degree earned in the US. If we are unable to determine equivalency, a transcript from the foreign university translated in English is required for review. Verification available online www.DCA.CA.Gov
Firefighters	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Full-time, currently active firefighters and/or paramedics commissioned by a city, county, state or federal fire fighting agency recognized in any state	Current/active identification card (or county card) showing full-time position as a Firefighter or Paramedic (copy of front and back). or Letter from qualifying employer stating current full-time employment as a Firefighter or Paramedic.	Volunteer and reserve firefighters do not qualify. EMT's do not qualify, unless they are firefighters.
Lawyers / Judges	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Current members in good standing in a Bar Association or in a Judges Association (Active Status)	Verification from a State Bar Association in the continental United States or Verification from a Judges Association; Website screen shot showing license status verification, State Bar Association, or verification from Judges Association acceptable - must show state licensing bureau, full name of insured, license number, and active status	Must have taken and passed the bar exam Verification available online at www.Calbar.ca.gov

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Librarians	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Persons with a Masters or PhD degree in Library Science, or Library and Information Science.	Masters or PhD degree in Library Science, or Library and Information Science; Photo of Master, or PhD diploma in Library Science, or Library and Information Science acceptable - must clearly show full name, name of university, degree, and year of degree completion or Letter from employer that confirms employment as a Librarian	
Physical, Occupational Therapists and Chiropractors	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Persons currently licensed to practice Physical, Occupational Therapy or Chiropractic in any state	Current/active license to practice Physical, Occupational Therapy or Chiropractic in any state. Online license status is acceptable. Documtation must show state licensing bureau, full name of insured, license number and current/active status. or Verification of current membership from the California Physical Therapy Association, Occupational Therapy or Chiropractic Association of California. Website screen shot acceptable	Verification available online at www2.dca.ca.gov Chiropractors will qualify under this category.
Physicians / Surgeons	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Persons currently licensed to practice as a Physician, Allergist, Anesthesiologist, Chiropractor, Psychiatrist (Marriage/Family Therapists), Psychologist, Optometrist, Otolaryngologists, Osteopaths, or Surgeon in any state or Current members of any state Medical Association or A PHD/Medical Degree in Medicine, Pharmacy, Psychiatry, Psychology, Podiatry, Osteopathy or Surgery.	Current/active license to practice as a Physician, Surgeon, Pharmacist, etc. in any state. Online license status is acceptable. Documentation must show state licensing bureau, full name of insured, license number and current/active status. or Verification of membership in any state Medical Association. Website screen shot showing online license status is acceptable. or Verification of current membership in any state Medical Association. or PHD/Medical degree in Medicine, Chiropractic, Pharmacy, Psychiatry, Psychology, Podiatry, Osteopathy or Surgery. Documentation must clearly show full name, name of university, degree, and year of degree completion.	Audiologists do not qualify in this category. Use Speech Audiologists and Pathologists category instead. Verification available online at www.DocBoard.org

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Police Officers / Law Enforcement Officers	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Active, full-time, sworn law enforcement officers commissioned by a city, county, state, or federal law enforcement agency recognized in any state	Current identification card showing full-time position as a Police officer or sworn peace officer per States Penal Code Section (copy of front and back) or Letter from qualifying employer stating current employment as a Police officer or sworn peace officer.	Volunteer or reserve peace officers do not qualify Military Police qualify with proper documentation.
Real Estate Agents and Brokers	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Persons currently licensed as a Real Estate Salespersons or Brokers in any state, with at least one vehicle in the household rated for "Business - Occupational" - Outside Sales (SLS) type of Use. **Next Gen Home only: Insureds with only Next Gen Home and no auto policy still qualifies if they are currently licensed.**	Current active/license to act as a real estate salesperson or broker in California. Online license status acceptable. Documentation must show state licensing bureau, full name of insured, license number, and active status. or Verification of current membership from the State Association of Realtors. Website screen shot acceptable.	Verification available online at www.dre.ca.gov **At least one policy within the Auto (Mid-Century or Farmers) household must have vehicle use in Outside Sales (SLS) to qualify.** Retired Real Estate Salespersons/Brokers qualify. Contact Service Operations for assistance with retirees.
Registered Nurses	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Licensed to practice as a Registered Nurse, Advanced Practice Nurse, Nurse Practitioner or Physicians Assistant with any state Nurses Board or a member of any state Registered Nurses Association.	Current/active license to practice as a Registered Nurse, Advanced Practice Nurse, Nurse Practitioner or Physicians Assistant in any state. Website screenshot showing online license status verification or online verification from any state Registered Nurses Association or Physicians Assistant governing body. Documentation must show state licensing bureau, full name of insured, license number and active status or Verification from any state Registered Nurses Association. or Verification from the National Council of State Boards of Nursing (https://www.nursys.com/LQC/LQCSearch.aspx)	LPN, LVN or CNAs do not qualify. Interns are not eligible. Temporary RN licenses are acceptable. Verification available online at www.rn.ca.gov.

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Scientists	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Persons with a **Bachelor of Science Degree, Bachelor of Arts Degree, Master of Science Degree, or PhD in one of the following fields:** Actuarial Science, Agriculture, Aeronautics, Anthropology, Astronomy, Astro-Physics, Astronautics, Atmospheric Science, Bacteriology, Biochemistry, Biology (Biological Science), Bio-Medical, Bio-Technology, Botany, Business Information Technology, Chemistry, Computer Applications, Computer Graphics, Computer Information Systems, Computer Science, Computer Programming, Computer Technology, Cybernetics, Ecology, Eco-Systems, Entomology, Environmental Science, Genetics, Geology, Geophysics, Information Technology, Kinesiology, Ocean (Marine) Science, Mathematics, Meteorology, Neuroscience, Physics, Physiology, Oceanography, Planetary Systems, Statistics, Systems Science, Technology and Zoology.	Bachelors, Masters or PhD degree from an accredited four-year university in one of the qualifying major fields of study - must clearly show full name, name of university, degree in one of the qualifying major fields of study, and year of degree completion. or Documentation showing membership in an eligible field of study's academic alumnae association. Website screen shot acceptable.	Transcripts are required if the degree does not specify qualifying major field of study. **Foreign degrees must be translated and show U.S. equivalency of type of degree and qualifying field of study if not stated, original diploma must accompany translation.** **Any license submitted to validate this discount must be supported by a Bachelors, Masters or PhD degree in the scientific field of study,**
Small Business Policyholders (Owners and Officers)	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Group 2	Persons currently listed as named insureds on a business insurance policy issued by a Farmers Insurance Group exchange or company; or officers or partners of corporations or partnerships maintaining a Farmers business insurance policy.	Entry of the related Farmers business insurance policy number on the APPS "Other Household Policies" screen (P5HA) for the personal auto policy. and Submit verification based on the business entity type insured, scan a print out of Small Business policy status.	Retired Small Business Policyholders have been excluded and are ineligible. Commercial Auto Policyholders have been excluded and are ineligible, unless the customer is also a business insurance policyholder.

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Speech Audiologists and Pathologists	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Persons currently licensed to practice Speech-Language Pathology or Audiology in any state.	Current/active license to practice as a Speech Audiologist or Pathologist in any state. Website screen shot showing online license status is acceptable. Documentation must show state licensing bureau, full name of insured, license number, and current/active status. or Verification of current membership from the California Academy of Audiology. Website screen shot acceptable.	Verification available online at www.slpab.ca.gov
FIG Federal Credit Union Members	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Members of the FIG Federal Credit Union with an active account	FIG Credit Union certificate or Copy of current FIG FCU bank statement.	Bank statements can be no more than 60 days old
Veterinarians	Mid-Century Auto 15% Farmers Auto 15% Next Gen Home 15% Farmers Smart Plan Home 15% Group 1	Currently licensed to practice Veterinarian medicine in any state	Current/active license to practice as a Veterinarian in any state. Website screen shot showing online license status is acceptable. Documentation must show state licensing bureau, full name of insured, license number, and current/active status.	Verification available online at **www.vmb.ca.gov**
Workers' Compensation Policyholders (Owners & Officers)	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	Persons currently listed as named insureds on a workers' compensation insurance policy issued by a Farmers Insurance Group exchange or company; or officers or partners of corporations or partnerships maintaining a Farmers business insurance policy.	Entry of the related Farmers business insurance policy number on the APPS "Other Household Policies" screen (PSHA) for the personal auto policy. and Submit verification based on the business entity type insured, scan a print out of Small Business policy status.	Retired Workers' Compensation Policyholders are excluded and ineligible.

Group	Discount	Eligibility Guidelines	Suggested Documentation	Notes
Retirees of an Eligible Business and Professional Group	Mid-Century Auto 15% or 10% Farmers Auto 15% or 10% Next Gen Home 15% or 5% Farmers Smart Plan Home 15% or 5% Group 1 or Group 2	Persons previously employed within an eligible Business and Professional Group.	A retirement letter from the person's former employer. The retirement letter must be written by the former employer's human resources representative. It must be clearly legible, provided on a company letterhead, and show the name, mailing address and phone number of the writer. or A pay stub from a pension plan. The pay stub from a pension plan must be less than 90 days old, and have the formers employee's legible name and address.	If the Affinity discount was previously validated for the insured and the insured is over age 55, no documentation is required. If the driver is age 55 or older, we will accept proof of having qualified for one of our Affinity categories. If the driver is less than age 55, then proof of retirement will still be required. Excludes - Small Business and Work Compensation If applying the Affinity as a Retired Farmers employee, where the Affinity discount was not previously applied, we will verify prior employment with Farmers through IRAM and apply the Retiree Affinity if the insured is age 55 or
Agents & Employees of Agents	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	A licensed Agent or person (s) currently employed by the Agent.		Agents and employees of agents will be verified through internal systems. Part time employees of Agent's are eligible. If we are unable to automatically validate, we will request proof of employment.
DM's & Employees of DM's	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	A licensed DM or person (s) currently employed by the DM		District Managers and employees of District Managers will be verified through internal systems. Part time employees of District Manager's are eligible If we are unable to automatically validate, we will request proof of employment.
Employees	Mid-Century Auto 10% Farmers Auto 10% Next Gen Home 5% Farmers Smart Plan Home 5% Group 2	A Regular, Full-time Employee currently employed by Farmers, Foremost, Zurich (includes Zurich North America Commercial) and Bristol West.		Employees will be verified through internal systems. Part time employees are eligible. If we are unable to automatically validate, we will request proof of employment.

EXHIBIT E

November 13, 2019

VIA EMAIL

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

Re: *In the Matter of the Rate Applications of Farmers Insurance Exchange, Mid-Century Insurance Company, and Truck Insurance Exchange*, File No. PA-2019-00004 (Rate File Nos.: 19-716, 19-716-A, 19-716-B, 19-717, 19-717-A, 19-717-B, 19-689, 19-689-A, and 19-689-B)

Dear Commissioner Lara:

The Department of Insurance investigation into auto insurance companies' use of occupation and education to set premiums found this practice causes "wide socioeconomic disparities."[1] You personally called these disparities "disturbing" and said, "I am prepared to act to ensure all Californians have access to affordable auto insurance regardless of their income, education, or ethnicity."[2] Remarkably, your staff is about to renew its blessing on Farmers' use of this discriminatory pricing.

To meet your promise, and make auto insurance accessible for all Californians, you must reject Farmers' pending proposed rate hike that would increase – not end – occupation- and education-based surcharges for low-income, low-wage and minority drivers. To allow one of the largest auto insurance companies in California to continue a practice you have declared troubling is to say one thing and do another. You have found that the scheme at issue is discriminatory and you should not continue to rubber stamp such illegal practices. Farmers should not be allowed to continue to charge doctors, dentists and accountants less than it charges firefighters, police officers, and nurses and charge janitors and factory workers higher premiums than all of those occupations. We urge you to reconsider.

Consumer Watchdog filed a petition for hearing on April 15, 2019 challenging Farmers' above-referenced private passenger auto rate applications as using occupation and education as a rating factor in violation of Proposition 103 by implementing a three-tiered rating system under which doctors, engineers, accountants, and scientists ("Business and Professional Group I") are offered the lowest rate, its "Business and Professional Group II" (including police officers, firefighters, and nurses) pay up to 7.19% more than "Business and Professional Group I," and all

[1] Press Release, California Department of Insurance, Commissioner Lara Sees "Disturbing" Disparities in Auto Insurance Discounts for Millions of Drivers (Sept. 24, 2019).
[2] *Id*.

others, including janitors, factory workers, and waiters who do not have one of these preferred occupations pays up to 13.81% more, all other characteristics being equal. (*See* Farmers' underwriting rule and Exhibit 17 of its rate applications attached as Exh. A.)

We urge you and the Department to deny the rate applications or require that Farmers remove its rating tiers based solely on occupation and educational status to calculate one overall rate for its entire book of private passenger auto business. We also renew our request for you to issue a moratorium on further approvals of occupation- and education-based discounts in any other rate or class plan applications until the agency issues a regulation addressing these unlawful overcharges, which the Department's own report issued a month and a half ago showed disproportionately and adversely impact communities of color and lower-wage, less-educated, blue-collar California drivers.

On September 24, 2019, the Department released its analysis of data from insurance companies confirming complaints by Consumer Watchdog that insurance companies, in violation of Proposition 103, are surcharging California drivers based on nothing more than their occupation or educational status. The data shows that insurance companies are charging higher premiums to drivers who reside in ZIP codes with lower per capita incomes, reflecting job status; lower levels of educational attainment; and in which communities of color predominate. For example, 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.[3]

Despite the Department's findings and your promise to ensure all Californians have access to affordable auto insurance regardless of their income, education, or ethnicity, the Department stands ready to approve Farmers' pending rate applications that would charge drivers more based solely on their occupation and education. To do so would give your and the Department's imprimatur to this unfairly discriminatory practice and allow insurance companies to perpetuate the harmful effects of occupation-based rating on California drivers in violation of Proposition 103.

On November 6, 2019, Consumer Watchdog, Department staff, and representatives of Farmers had a teleconference to discuss Consumer Watchdog's petition and objections to Farmers' segmentation of its policyholders into three separate groups based on occupation. In advance of this call, Consumer Watchdog submitted a Request for Information to Farmers seeking, *inter alia*, data and documents (1) related to the company's determination of which occupations to include in its Business and Professional Groups, and (2) that show the risk of loss and predictive value for the occupations used to qualify for its Business and Professional Groups. Farmers declined to provide information in response to this Request stating it had no records related to how it chose occupations eligible for the Business and Professional Groups and that other data it provided to the Department in response to its May 2019 affinity group data call survey, including number of vehicle exposures by ZIP code for each "affinity group" and its general population, was confidential and not material to this filing. This is quite incredible

[3] *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.

considering that over 60% of Farmers' auto business is subjected to higher base rates based solely on the rated driver's occupation. Equally shocking is Farmers' assertion that information showing the risk of loss and predictive value for its preferred occupations is immaterial to the filing.

Farmers' rate filings show that insureds who are not employed in one of Farmers' preferred Business and Professional occupations, such as janitors and factory workers, will be charged base rates of up to 13.81% more for all coverages combined than those who have an occupation listed in its Business and Professional Group I (which includes doctors, accountants, and dentists) and up to 7.19% more for all coverages combined than those who have an occupation listed in its Business and Professional Group II (which includes architects, lawyers, firefighters, nurses, librarians, and police officers). (See Exh. 17 attached as Exh. A.) This practice results in individuals without one of Farmers' chosen Business and Professional occupations paying the highest rates for all coverages combined for no reason other than the driver's occupation. These pending applications highlight and confirm that lower-wage occupation drivers without college degrees will continue to pay more until the Department adopts a regulation to address these arbitrary and unfairly discriminatory rating practices.

On the November 6 call, however, Department staff informed Consumer Watchdog that it was prepared to approve the pending rate applications. These occupation-based discounts are illegal under Proposition 103 both as unapproved rating factors under section 1861.02(a) and unfairly discriminatory rates under section 1861.05, and therefore must be rejected. It is imperative that you issue a moratorium on further approvals of occupation- and education-based "affinity" discounts until the Department adopts regulations that will make it clear to all insurers that generic education and occupation classifications are not permissible rating factors and are not permissible "group plans" under section 1861.12. Otherwise, Department staff will continue to approve these illegal discounts and unfair rate discrimination against drivers without college degrees or professional occupations.

The voters passed Proposition 103 to stop this kind of discrimination based on income or race. Now that the Department of Insurance has confirmed the impact of "affinity" groups on regular people, we look forward to prompt and decisive action by the Commissioner to end these unlawful overcharges.

Thank you for your attention to this matter.

Sincerely,

Pamela Pressley
Senior Staff Attorney

Daniel Sternberg
Advocate / Staff Attorney*

cc:
Catalina Hayes-Bautista (catalina.hayes-bautista@insurance.ca.gov)
[*Additional names on the following page*]

* Licensed in New York; application pending in California. Appearing pursuant to Cal. Ins. Code § 1861.10(a) and Cal. Code Regs. tit. 10, § 2661 *et seq*.

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Lynne Wehmueller (lynne.wehmueller@insurance.ca.gov)
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Richard De La Mora (richard.delamora@farmersinsurance.com)
Victoria McCarthy (victoria.mccarthy@farmersinsurance.com)
Alissa Vreman (alissa.vreman@farmersinsurance.com)

Exhibit A

BUSINESS AND PROFESSIONAL GROUPS

Eligibility

All named insureds in the household that have a related relationship (other than 'O' for other and 'U' for unknown) will be given the highest qualifying discount. Drivers coded as non-drivers (i.e. 'OH' for Out-of Household) will not qualify any policy in the household for the discount. All named insureds that are not related will qualify for their own discount. When situations exist with more than one named insured on a policy and there is at least one unrelated named insured on a policy, the highest qualifying discount will be given (which could either be the highest related or highest unrelated).

Group I	Group II
Certified Public Accountants (CPA's)	Architects
Dentists	FIG Federal Credit Union
Educators	Firefighters
Engineers	Lawyers/Judges
Physicians/Surgeons	Registered Nurses
Scientists	Police Offices/Law Enforcement Officers
Veterinarians	Aviation Professionals
	Physical and Occupational Therapists
	Speech Audiologists and Pathologists
	Librarians
	Real Estate Agents and Brokers
	Small Business Policyholders (Owners & Officers)
	Workers' Compensation Policyholders (Owners & Officers)
	Zurich Employees/Agents

Qualification

Personal auto policy does **not** include the following: Antique, Campers, Dune Buggies, Farm Trailers, Farm Equipment/Machinery, Motor home Plus, Motorcycles, and Premium Determination (both Normal and Restricted Use).

Only one Business and Professional Group discount can be applied to each policy.

Foreign Degrees and transcripts are acceptable for membership verification but they must be accompanied by a certified translation of the document.

Retirees

Retirees previously employed in a listed Group I or Group II occupation are eligible with supporting documentation: a retirement letter from the former employee, or a pay stub from a pension plan. The retirement letter must be written by the former employer's human resources representative. It must be clearly legible, provided on a company letterhead, showing the name, mailing address and phone number of the writer. The pay stub from a pension plan must be less than 90 days old, and have the former employee's legible name and address.

Farmers Insurance Group
Mid-Century Insurance Company and Farmers Insurance Exchange
All Programs
State of California

Line of Business: Private Passenger Auto Liability and Physical Damage

Rate Distribution

Current Base Rates

	BI	PD	UMBI	UMPD 250	UMPD 500	UMPD Over 500	MED	COMP	COLL	TOW*	Total
Regular Program	241.66	238.93	30.00	3.56	5.46	8.91	46.79	71.23	228.00	6.72	n/a
Group I	209.18	214.20	24.41	3.13	4.80	7.83	37.78	68.14	200.10	6.72	n/a
Group II	220.28	232.27	27.19	3.30	5.06	8.25	43.36	67.22	217.30	6.72	n/a

Proposed Rate Change

	BI	PD	UMBI	UMPD 250	UMPD 500	UMPD Over 500	MED	COMP	COLL	TOW*	Total
Regular Program	11.4%	8.1%	30.0%	30.0%	30.0%	30.0%	9.2%	-0.4%	-2.2%	15.0%	7.0%
Group I	17.0%	2.8%	30.0%	30.0%	30.0%	30.0%	14.9%	-6.1%	-2.1%	15.0%	7.0%
Group II	15.4%	5.1%	30.0%	30.0%	30.0%	30.0%	10.0%	0.0%	-3.5%	15.0%	7.0%

Proposed Base Rates

	BI	PD	UMBI	UMPD 250	UMPD 500	UMPD Over 500	MED	COMP	COLL	TOW*	Total
Regular Program	269.31	258.33	39.00	4.63	7.10	11.58	51.08	70.98	222.98	7.73	n/a
Group I	244.74	220.24	31.73	4.07	6.24	10.18	43.42	63.98	196.00	7.73	n/a
Group II	254.20	244.02	35.35	4.29	6.58	10.73	47.70	67.22	209.69	7.73	n/a

* All programs have the same base rate for Towing coverage

PROOF OF SERVICE
BY OVERNIGHT OR U.S. MAIL, FAX TRANSMISSION,
EMAIL TRANSMISSION AND/OR PERSONAL SERVICE

State of California, City of Los Angeles, County of Los Angeles

I am employed in the City and County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action. My business address is 6330 South San Vicente Boulevard, Suite 250, Los Angeles, California 90048, and I am employed in the city and county where this service is occurring.

On February 14, 2020, I caused service of true and correct copies of the document entitled

- **CONSUMER WATCHDOG'S REQUEST FOR COMPENSATION**
- **DECLARATION OF PAMELA PRESSLEY IN SUPPORT OF CONSUMER WATCHDOG'S REQUEST FOR COMPENSATION**

upon the persons named in the attached service list, in the following manner:

1. If marked FAX SERVICE, by facsimile transmission this date to the FAX number stated to the person(s) named.

2. If marked EMAIL, by electronic mail transmission this date to the email address stated.

3. If marked U.S. MAIL or OVERNIGHT or HAND DELIVERED, by placing this date for collection for regular or overnight mailing true copies of the within document in sealed envelopes, addressed to each of the persons so listed. I am readily familiar with the regular practice of collection and processing of correspondence for mailing of U.S. Mail and for sending of Overnight mail. If mailed by U.S. Mail, these envelopes would be deposited this day in the ordinary course of business with the U.S. Postal Service. If mailed Overnight, these envelopes would be deposited this day in a box or other facility regularly maintained by the express service carrier, or delivered this day to an authorized courier or driver authorized by the express service carrier to receive documents, in the ordinary course of business, fully prepaid.

I declare under penalty of perjury that the foregoing is true and correct. Executed on February 14, 2020 at Los Angeles, California.

Kaitlyn Gentile

Service List

Daniel Goodell Nikki McKennedy Emily Gallagher Rate Enforcement Bureau **California Department of Insurance** 45 Fremont Street, 21st Floor San Francisco, CA 94105 Tel. (415) 538-4111 Fax (415) 904-5490 Daniel.Goodell@insurance.ca.gov Nikki.McKennedy@insurance.ca.gov Emily.Gallagher@insurance.ca.gov	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Richard De La Mora Head of Personal and Specialty Lines and Strategy Corporate Legal Department Farmers Group, Inc. 6301 Owensmouth Ave., 3rd Floor Woodland Hills, CA 91367 Tel. (818) 965-0529 Richard.Delamora@farmersinsurance.com	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Edward Wu Staff Counsel and Public Advisor Office of the Public Advisor **California Department of Insurance** 300 South Spring Street, 12th Floor Los Angeles, CA 90013 Tel. (213) 346-6635 Fax (213) 897-9241 Edward.Wu@insurance.ca.gov Tina.Warren@insurance.ca.gov	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL