

DEPARTMENT OF INSURANCE**Legal Division, Rate Enforcement Bureau**45 Fremont Street, 21st Floor
San Francisco, CA 94105

**NOTICE OF WORKSHOP
REGARDING AFFINITY GROUPS UNDER
CALIFORNIA INSURANCE CODE SECTION 1861.12**

REG-2010-00018**Notice Date: November 15, 2010**

BACKGROUND INFORMATION

California Insurance Code (CIC) 1861.12 is part of Proposition 103 and authorizes insurers to issue property and casualty "insurance coverage on a group plan." Insurers may issue such group insurance "without restriction as to the purpose of the group, occupation or type of group." Under 1861.12 the rates for group insurance are not "considered to be unfairly discriminatory, if they are averaged broadly among persons insured under the group plan." However, the statute does not define the term "group" and does not specify conditions as to when insurance may be issued on a group plan. Further, the statute provides no guidance with regard to the validity of groups that exist solely for the purpose of purchasing insurance, or groups that are simply acknowledged by an insurer based on shared characteristics or status, such as everyone who has purchased a particular product from a particular vendor.

The Department is considering adopting regulations that will clarify, explain and make specific CIC 1861.12 with regard to the issues set forth in this notice.

INVITATION TO WORKSHOP

The Department hereby invites all interested persons to attend a workshop and to provide input regarding groups and group insurance rates under CIC 1861.12. This workshop is intended to satisfy the pre-notice public discussions requirements of California Government Code (CGC) 11346.45. The purpose of the workshop will be to receive input and comments from persons who are interested in regulations that would clarify, explain and make specific CIC 1861.12. Before promulgating any regulation on group insurance rates, the Department will issue a subsequent official public notice pursuant to CGC 11346.4.

At this time, the Department is considering promulgating regulations with regard to CIC 1861.12 to address the issues set forth below, among others. In this workshop, the Department will seek constructive input and comments regarding these and other issues, concerns or suggestions from interested parties regarding CIC 1861.12.

- What is the most appropriate definition for the word "group" as used in CIC 1861.12?
- Should insurers be allowed to issue insurance on a group plan for groups such as those based on shared characteristics or status, even if the group has no membership requirements?

- Should groups have to exist for a particular purpose other than the purpose of purchasing insurance?
- Should insurers be permitted to form groups solely for the purpose of allowing consumers to purchase insurance at a group rate?
- To what extent, if any, do the auto rating factor rules found in CIC 1861.02(a)(4) and CCR 2632.5 impact what groups may be allowable under 1861.12?
- How should group membership be determined? Should there be eligibility requirements for "membership" in a group, such as payment of dues or voluntarily joining the group?
- Should an insurer ever be required to confirm group membership of an applicant who claims to be a member of a group? What should be required and under what circumstances?
- Should an insurer be required to have a formal agreement with a group before issuing insurance for the group on a group plan?
- Should an insurer that offers group rates be required to notify/offer every insured/applicant of every group rate available? How often -- at every renewal?
- Should an insurer be required to discontinue a group rate for an individual when the insured leaves the group or otherwise becomes ineligible for the group rate? What should the insurer have to do to confirm that insureds receiving the group rate remain eligible from one policy period to the next?
- What should be required to establish an initial rate for a new group that has no experience data to support a rate differential?
- What should be required to demonstrate that the group rate is justified as experience for the group develops?
- Should there be a mandatory re-filing period when an insurer makes a new group filing with no experience data?

WRITTEN COMMENTS

The Department invites written comments regarding the issues identified above in advance of the workshop. Written comments should be submitted by e-mail to the **Group Regulations Inbox at Comments.2010-00018@insurance.ca.gov** before the close of business on Friday, December 3, 2010. Participants may also comment orally at the workshop.

TIME AND PLACE OF WORKSHOP

Friday, December 3, 2010, 10:00 AM
California Department of Insurance
45 Fremont Street, 22nd Floor Hearing Room
San Francisco, CA 94105

RSVP REQUESTED / CDI CONTACT PERSON

If you plan to attend this workshop please notify the CDI contact person below before the close of business on December 2, 2010. Please direct any questions regarding this notice to:

Daniel Goodell
California Department of Insurance
Rate Enforcement Bureau
45 Fremont Street, 21st Floor
San Francisco, CA 94105
Telephone: (415) 538-4191
Facsimile: (415) 904-5490
Comments.2010-00018@insurance.ca.gov

WORKSHOP FACILITY

The facility to be used for this Workshop is accessible to persons with mobility impairments. Persons with sight or hearing impairments are requested to notify the CDI Contact Person, before the close of business on December 1, 2010 in order to make special arrangements.

ADDITIONAL INFORMATION

Please be advised that participation in this workshop will *not* substitute for or preclude participation in any formal rulemaking process that ensues. This invitation to prenotice public discussions does not constitute a Notice of Proposed Action under the Administrative Procedure Act (APA). Consequently, the APA does not require that comments (oral or written) received in connection with these prenotice public discussions be included in any rulemaking file on the issue of affinity groups under CIC 1861.12 or any other rulemaking file.

