

# Consumer Action

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11 June 2008

Senator Mike Machado, Chair  
Senate Banking, Finance and Insurance Committee  
Room 407, State Capitol  
Sacramento, California 95814

RE: AB 2800 (Huffman) – OPPOSE

Dear Senator Machado:

Consumer Action, a national consumer education and advocacy organization serving consumers since 1971, is writing to express its opposition to AB 2800 (Huffman) which would amend the good driver requirements enacted by the voters through Proposition 103. Unfortunately the bill will not serve the objective of enhancing incentives for policyholders to drive less, because it improperly amends a voter-approved initiative and will, we are confident, be rejected by the courts.

AB 2800 proposes to amend the mandatory insurance rating factors in Insurance Code Sec. 1861.02, which was approved by the voters in 1988 as part of Prop. 103. This section of the initiative provides a clear and systematic methodology for the use of rating factors in the setting of auto insurance premiums and delegates the authority to set optional rating factors to the Insurance Commissioner. AB 2800 purports to amend one of Proposition 103's mandatory rating factors by creating multiple mileage factors – an optional factor that falls under the same prohibitions that caused the court to declare SB 841(2003) an invalid amendment to Proposition 103.

As mentioned, Proposition 103 requires insurance companies to base the auto insurance rates charged in California primarily on a motorist's 1) driving safety record, 2) annual miles driven and 3) years of driving experience.

Under the current rules, insurers can offer real incentives for realistic mileage reductions. Such a rating plan would have a substantial number of tiers for driver's mileage so that a policyholder who carpooled one day a week and thereby reduced their mileage by 1,000 miles would move to a cheaper rate.

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Carpool once a week and telecommute once a week and move down to yet a lower price. So long as the insurer continues to prioritize the impact of a driver's safety record, as the law requires, nothing would stop an insurer from offering their insurance product as a legitimately green auto insurance policy.

In order to facilitate an insurers' ability to confidently assess the risk associated with a customer's mileage, insurers were given the authority to require customers to provide an odometer reading when the mileage verification rules were revised. Despite some claims by insurers that they cannot get odometer readings from policyholders, the regulations are clear that the current odometer reading of the vehicle to be insured can be required.

Insurance companies were also given the authority to request, but not mandate, that customers comply with certain mileage verification requirements including the technological GPS devices contemplated in AB 2800. By allowing the use of GPS devices in the regulations, it should be noted, and in AB 2800, privacy concerns are raised that deserve further study and consideration. GPS devices collect information and allow access to information that can violate ones privacy rights. This form of monitoring mileage totals is unacceptable and unnecessary as the current methods of collecting mileage figures are sufficient to provide insurers what they need to determine rates and stay within the provisions of Proposition 103.

For the reasons stated above, Consumer Action opposes AB 2800. While we find the goal of lowering insurance rates laudable, the methods suggested in AB 2800 are not and should be strongly rejected by your colleagues.

Thank you for your consideration in this matter.

Sincerely,  
  
Cher McIntyre  
California Legislative Director

CC: Members, Senate Banking, Finance & Insurance Committee

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