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CALIFORNIA
DEPT. OF INSURANCE

7 Attorneys for Intervenor
8 ASSOCIATION OF CALIFORNIA
9 INSURANCE COMPANIES

10 **BEFORE THE INSURANCE COMMISSIONER**
11 **OF THE STATE OF CALIFORNIA**

12 In the Matter of the Rates, Rating Plans, or
13 Rating Systems of

14 ALLSTATE INSURANCE
15 COMPANY AND ALLSTATE
16 INDEMNITY COMPANY

17 Respondents.

File No. PA-2007-00011

**VERIFIED PETITION TO
INTERVENE OF ASSOCIATION OF
CALIFORNIA INSURANCE
COMPANIES**

17 Pursuant to Insurance Code § 1861.10(a) and 10 CCR § 2661.1 *et seq.*, Association of
18 California Insurance Companies ("ACIC") hereby petitions to intervene in this proceeding.

19 **I. PETITIONER'S INTEREST IN THE PROCEEDING**

20 1. ACIC represents more than 300 property/casualty insurance companies doing
21 business in California. ACIC member companies write over 40 percent of all property and
22 casualty insurance in California, including close to 60 percent of private passenger automobile
23 insurance and 40 percent of homeowners insurance. ACIC is affiliated with the Property
24 Casualty Insurers Association of America ("PCI"). With more than 1,000 member companies,
25 PCI represents the broadest cross-section of insurers of any national trade association. Among
26 other things, ACIC and PCI strive to ensure that the laws and regulations affecting member
27 insurance companies are fair, rationally based and do not needlessly add to the costs of providing
28 insurance to California's consumers.

1 2. ACIC and its members have a vital interest in an issue raised in this proceeding
2 regarding the Commissioner’s authority to order refunds of insurance premiums charged and
3 collected by an insurer based on rates approved by the Commissioner.

4 **II. ISSUES TO BE RAISED AND PETITIONER’S POSITION**

5 3. In the Notice of Noncompliance and Order To Show Cause (“OSC”) served on
6 Allstate Insurance Company and Allstate Indemnity Company (collectively, “Allstate”) in this
7 proceeding, the Commissioner alleges that that there is good cause to believe that Allstate’s
8 Homeowners Multi-Peril insurance rates are excessive. OSC, p. 1. Among the remedies alleged
9 in the OSC is that the Commissioner may order “premium credit[s] to policyholders to offset
10 excessive premiums already paid and/or monetary assessments to facilitate the refunding to
11 policyholders of excessive premium dollars collected pursuant to the charging of excessive rates .
12 . . .” OSC, p. 2 ¶ 4.

13 4. It is ACIC’s position that the Commissioner lacks authority to order refunds or
14 credits to policyholders due to premiums charged and collected by an insurer based upon rates
15 approved by the Commissioner. The statutory authority on which the OSC is based, including
16 the relevant ratemaking provisions and case law, together with long-established rate regulatory
17 principles, demonstrate that the Commissioner lacks the authority to engage in retroactive
18 ratemaking by ordering premium credits or refunds after finding that a previously approved rate
19 is now excessive. Further, such an unprecedented, after-the-fact regulatory action would threaten
20 the stability of the insurance marketplace due to the tremendous uncertainty it would inject into
21 the business of transacting insurance in California.

22 5. ACIC anticipates supporting the position set forth in Allstate’s July 20, 2007,
23 “Motion For Order Striking or Dismissing, With Prejudice, Certain Portions of the Notice of
24 Hearing Issued By the Insurance Commissioner of the State of California on June 6, 2007.” In
25 particular, ACIC supports an early determination of this critical issue due to its significance to the
26 parties to this proceeding as well as to all others -- consumers, producers, insurers and regulators
27 alike -- who have an interest in ensuring a healthy and vibrant California insurance market that
28 offers valuable products and services to consumers at reasonable prices. Addressing this

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1 threshold question through a determination of the merits of Allstate's motion will advance the
2 interests of all parties in resolving this important issue.

3 **III. PARTICIPATION BY ACIC IN PROCEEDINGS**

4 6. In accordance with 10 CCR § 2661.3(b), ACIC provides its address and telephone
5 number as follows: 1415 L Street, Suite 670, Sacramento, California 95814-3972; 916-449-1370.

6 7. In accordance with 10 CCR § 2661.3(b), ACIC confirms that it or its counsel will
7 be able to attend and participate in the proceeding without delaying the proceeding or any other
8 proceedings before the Commissioner.


9 **IV. NO INTENT TO SEEK COMPENSATION**

10 8. In accordance with 10 CCR § 2661.3(c), ACIC confirms that it does not intend to
11 seek compensation in this proceeding.

12 Based on the foregoing, ACIC respectfully requests that its Petition To Intervene be
13 granted.

14 Dated: August 2, 2007

SONNENSCHN NATH & ROSENTHAL LLP

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16
17 By: 
18 Thomas E. McDonald

19 Attorneys for Intervenor
20 ASSOCIATION OF CALIFORNIA INSURANCE
21 COMPANIES

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VERIFICATION

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I, Samuel Sorich, hereby declare that:

1. I am the President of the Association of California Insurance Companies, and I am authorized to make this verification on its behalf.

2. I have read the foregoing Verified Petition To Intervene and know its contents and that the facts alleged therein are true of my own personal knowledge.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this Verification was executed on August 2, 2007 at Sacramento, California.

By: Samuel Sorich
Samuel Sorich

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PROOF OF SERVICE

I, Deborah Waterford, hereby declare:

I am a citizen of the United States and an employed in the City and County of San Francisco, California. I am over the age of eighteen years and not a party to the within action. My business address is SONNENSCHN NATH & ROSENTHAL LLP, 525 Market Street, 26th Floor, San Francisco, California 94105.

On August 2, 2007, I caused to be served on the interested parties in this action the following document(s):

VERIFIED PETITION TO INTERVENE OF ASSOCIATION OF CALIFORNIA INSURANCE COMPANIES

by placing a true copy(ies) thereof, on the above date, enclosed in a sealed envelope for delivery, following the ordinary business practice of Sonnenschein Nath & Rosenthal LLP, as follows:

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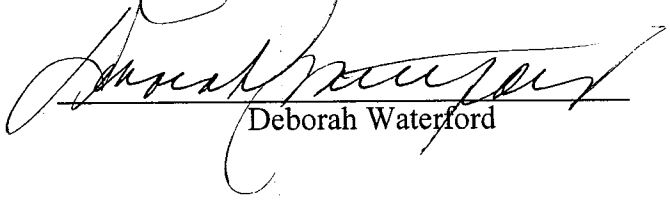
U.S. MAIL: I am personally and readily familiar with the business practice of Sonnenschein Nath & Rosenthal for collection and processing of correspondence for mailing with the United States Postal Service, pursuant to which mail placed for collection at designated stations in the ordinary course of business is deposited the same day, proper postage prepaid, with the United States Postal Service.

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FACSIMILE TRANSMISSION: I caused such document to be sent by facsimile transmission at the above-listed fax number for the party.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and was executed on August 2, 2007, at San Francisco, California.


Deborah Waterford