

March 15, 2011

Insurance Commissioner Dave Jones

300 Capitol Mall, Suite 1700

Sacramento, CA 95814

Dear Commissioner Jones:

Thank you for taking the time to meet with me about the future of insurance policy in California. As a Member of the Assembly Committee on Insurance and a broker and agent for over 30 years I look forward to working with you to improve the business climate, protect consumers, and increase their options in the insurance market. I am writing to follow up specifically on our conversation about insurance rating reform. As promised, below are some suggested areas where I believe you could make meaningful progress.

Increase optional rating factors: Under Insurance Code section 1861.02(a)(4), the Insurance Commissioner may adopt auto rating factors "... that have a substantial relationship to the risk of loss... [And] set forth the respective weight to be given each factor in determining auto rates and premiums." California case law reserves this power exclusively for the Insurance Commissioner and specifically denies the legislative branch the power to add such rating factors to the auto insurance system.

Consistent with your comments about wanting to promote green business practices, there are several additional rating factors that would provide incentives for reduced paperwork and more electronic transactions. These additional rating factors could include:

- *Electronic payments:* Allow insurers to provide a discount to customers paying electronically rather than with paper.
- *Consumer Communication Type:* Allow insurers to provide a discount to customers who elect paperless communication.
- *Electronic Purchases:* Allow insurers to provide discounts to customers who elect to purchase products electronically through the phone or internet.
- *Efficient Payments:* Allow insurers to provide discounts to customers who pay in fewer transactions, thereby reducing administrative paper.

Gradual rate changes: Under current Department of Insurance rules, when an insurer decides to change its discounts and surcharges, it cannot allow the changes to occur gradually. Instead, insurers must implement the changes immediately, even if the changes are large. Public controversy can ensue, as evidenced by the recent Blue Shield rate changes that hit some individuals with large increases.

As Insurance Commissioner you have the ability prevent this type of occurrence by directing the Department to not automatically rule out rate requests from insurers that allow a phased-in rate change. By adjusting this internal rule, you can ensure rate transitions that do not shock consumers while retaining full discretion to approve or reject such applications.

I hope that you find these suggestions helpful. I truly believe they would be well received by consumers and industry alike and stand ready to assist in any meaningful way.

Thank you for your consideration and leadership.

Sincerely,

Jeff Miller

Assemblyman, 71<sup>st</sup> District