

COMMISSIONER POIZNER ISSUES EMERGENCY REGULATIONS TO IMPROVE RATE APPROVAL PROCESS

Regulations Provide Tools To Keep Rates As Low As Possible

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SACRAMENTO - Insurance Commissioner Steve Poizner today issued emergency regulations to clarify and streamline the prior approval rate system. These regulations will make the rate filing process more efficient, accurate and transparent. The regulations are attached.

"The regulations issued today will help speed lower insurance rates to consumers," said Commissioner Poizner. "The new rules also increase transparency in the rate-setting process by requiring insurance companies to provide more information to the public. I will continue to work to make the insurance market more efficient so the people of California will have the lowest possible rates."

[Proposition 103](#), an initiative approved by voters in November 1988, established a system of prior approval rate regulation for property-casualty insurance lines. In 1991, the Department of Insurance (CDI) adopted regulations which provided a formula to determine whether a proposed rate is excessive or inadequate. In 2007, the Department issued additional regulations that spelled out the rate approval formulas in greater detail. To address unique company-specific circumstances, the formula allows insurers to request a deviation from specific portions of the rate formulas. Such requests, also known as "[variances](#)," can be granted to insurance companies by the Department on a case-by-case basis.

The Commissioner's emergency regulations make changes to the regulations that took effect in 2007. These changes will increase efficiencies and protect the interests of consumers. Increased efficiency in the rate approval process is critical at this time because of an anticipated spate of prior approval filings this summer as insurers seek to comply with recently enacted Auto Rating Factor (ARF) regulations that identify the factors an insurance company may use to rate automobile insurance risk and specify the order and weights of these factors. While forty-six companies have already complied with the ARF regulations, resulting in lower premiums for numerous consumers, the Department expects roughly 200 more filings by the July 14, 2008 deadline. The emergency regulations will improve the process and allow these filings to be processed more efficiently. The sooner the rate filings are processed and the ARFs are implemented, the sooner consumers can reap the benefits of fairer and potentially lower auto insurance rates.

In issuing emergency regulations, the Commissioner first and foremost seeks to protect consumers. The Commissioner eliminated two key variances, thereby reducing the possibility of certain rate increases. He also modified a component of the formula to afford the Commissioner increased options to use data that could result in lower rates.

In addition to streamlining of the current prior approval system, the regulations modify a component of the formula that will provide more accurate data and will allow the Commissioner the ability to impact rates to the benefit of consumers. The regulations will also assist in fighting

insurance fraud, prevent future losses, and encourage insurance companies to provide superior service to policyholders.

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