

DEPARTMENT OF INSURANCE**Legal Division, Rate Enforcement Bureau**45 Fremont Street, 21st Floor
San Francisco, CA 94105**NOTICE OF WORKSHOP
REGARDING "PAY-AS-YOU-DRIVE" AUTOMOBILE INSURANCE****REG-2008-00020****Notice Date: May 23, 2008****BACKGROUND INFORMATION**

California Insurance Code (CIC) section 1861.02(a) requires automobile insurance rates to be based on three mandatory factors in decreasing order of importance. Certain optional factors may also be used. The second mandatory factor is "the number of miles [the insured] drives annually" (Hereafter "Annual Mileage Factor"). The Department has previously adopted California Code of Regulations (CCR) sections 2632.1 through 2632.11 which govern the use of auto rating factors including the mandatory Annual Mileage Factor (the "Current Regulations").

Under the Current Regulations, the Annual Mileage Factor is defined as an estimate of the number of miles an insured vehicle will be driven in the next year. The Current Regulations specify how the mileage estimate may be determined. However, insurers establish their own mileage rating brackets for rating purposes. The Current Regulations also specify the methods that insurers can use to verify mileage. Under the Current Regulations an insurer can adjust premiums at the end of the policy period based on actual miles driven, provided the policyholder is notified in advance.

Mileage rating brackets in California vary significantly from carrier to carrier. Some have brackets as narrow as 1000 miles or even narrower. However, no major insurer in California offers an option that adjusts the price of auto insurance based on the exact number of miles the insured actually drives ("pay-as-you-drive" insurance or "PAYD").

The Department intends to adopt regulations with the goal of making PAYD insurance widely available in California and to encourage participation.

INVITATION TO WORKSHOP

The Department hereby invites all interested persons to attend a workshop and to provide input on bringing "pay-as-you-drive" insurance to California. This workshop is intended to satisfy the pre-notice public discussions requirements of California Government Code Section 11346.45 and will precede any official public notice issued pursuant to California Government Code Section 11346.4. The purpose of the Workshop will be to receive input and comments from persons who are interested in regulations that would implement PAYD, including those who would be subject to the regulations.

The Department specifically seeks constructive input on the following issues and on other issues, concerns or suggestions from interested parties regarding PAYD.

- **Rating issues**
 - Appropriate mileage brackets for PAYD (pay per mile, 10 miles, 100 miles)
 - Separate program options for PAYD
 - How could PAYD be incorporated into existing automobile programs?
 - Statutory good driver issues. If PAYD is offered through a separate program and has its own class plan, how would an insurer group make sure that every good driver is placed with the insurer that offers the lowest rates as required by Insurance Code section 1861.16?
- **Mileage verification issues**
 - Appropriate technology (GPS, wireless transmission of odometer information, others, manual collection of odometer readings)
 - Verification timetable (real time, monthly, quarterly, annually)
 - Privacy and security issues
 - What data would be required?
 - How would the data be collected?
 - How would the data be used?
 - How would electronically transmitted data be secured?
 - Who would have access to the data?
- **What incentives may be necessary or desirable?**
 - Insurer incentives to offer PAYD programs
 - Consumer incentives to participate in PAYD programs
- **Pros and cons of requiring disclosure of mileage brackets (and mileage factors) to consumers** (on web site, through agent contact, email, direct mail, other)?
- **Optional versus mandatory participation by insurer and/or insured**
- **Phased implementation possibilities.**

WRITTEN COMMENTS

The Department requests submission of written comments regarding the issues identified above in advance of the workshop. Written comments should be submitted by e-mail to Sara Urakawa at UrakawaS@Insurance.ca.gov before the close of business on June 18, 2008.

TIME AND PLACE OF WORKSHOP

Tuesday, June 23, 2008, 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 June 18, 2008.** Any questions regarding this Notice should also be directed to:

Ms. Sara Urakawa
California Department of Insurance
Rate Enforcement Bureau
45 Fremont Street, 21st Floor
San Francisco, CA 94105
Telephone: (415) 538-4121
Facsimile: (415) 904-5490
UrakawaS@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, by June 18, 2008 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 pay-as-you-drive insurance or any other rulemaking file.