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**The Personal Insurance Federation Of California Says Auto Rates Will Skyrocket For Drivers In 51 California Counties If Territorial Rating Is Eliminated**

**SACRAMENTO, CA** – (May 29, 2003) – Four California Insurance Commissioners and the California Supreme Court agree: the use of territory as a factor in determining automobile insurance rates is fair and equitable under Proposition 103 passed in 1988. The Personal Insurance Federation of California (PIFC) today questioned the action of Consumers Union which once again is calling for the elimination of current regulations that allow differences in costs and risks in geographic areas of the state to be taken into account in setting rates for auto insurance.

PIFC President Dan Dunmoyer outlined the history of the issue:

- Insurance Commissioner Gillespie approved the use of cost differences by territory as a factor in rating automobile insurance.
- The first elected Insurance Commissioner John Garamendi, who implemented Proposition 103, continued the use of territory as one of the factors used in auto rates after the three primary factors in Proposition 103.
- Commissioner Chuck Quackenbush revised the regulations to temper the use of territory but still use it as a factor.
- The issue was placed before the courts, but Quackenbush left office before a final decision was rendered.
- Commissioner Harry Low replaced Quackenbush, and as his first major public policy action, he filed a brief with the California Supreme Court urging the court to uphold a Court of Appeal decision affirming the regulations and allowing the use of territory as a factor in determining automobile insurance rates.
- Finally, the California Supreme Court gave the go ahead to the practice by declining to take the issue up after the California Appellate Court ruled in favor of territory use in auto ratemaking.

“In a unanimous decision, in 2001, the California Court of Appeals upheld the current auto rating factor regulations which allow, in addition to the three mandatory factors (years of driving, safety record and miles driven), accident frequency and severity in different regions of the state to be taken into account in setting rates,” explained Dunmoyer. “This means that rates can be based on actual cost in each region such as Alameda, the Bay Area, Los Angeles and San Diego, and good drivers in low-income rural areas of the state do not have to subsidize drivers in high-accident, high-income urban areas,” he said. “The Court ruled that using a driver’s location to determine auto insurance rates in conjunction with the three main factors, was a fair and lawful method of determining auto insurance rates in California.”

Dunmoyer continued that the Appellate Court ruling allowing territories to be used in rate setting of automobile insurance, known as *Spanish Speaking Citizens v. Low*, clearly states:

- The current regulations produce lower premiums for more good drivers than other alternatives under consideration.
- Elimination of territory would produce arbitrary premiums and raise the premiums of most good drivers.
- Uncontradicted evidence establishes that this rule (elimination of territory) would produce rates which are individually and collectively arbitrary, undermine the relationship between rating factors and risks of loss, and result in higher premiums for most good drivers.

“Even the author of Proposition 103, Harvey Rosenfield, noted in his campaign brochure in 1988 that Proposition 103 requires insurers to base rates first on driver’s safety record, years of driving and annual miles driven. Then, upon the Insurance Commissioner’s approval, insurers may consider other factors, such as urban/rural differences,” noted Dunmoyer.

“As was shown in the court case that approved the current rating plan, if the three mandatory factors listed in Proposition 103 were all that could be used in rating auto insurance, good drivers in 51 of California’s 58 counties would experience a 3 percent to 85 percent increase in their auto insurance rates,” he added.

“The Legislature in 2000 passed the Low-Cost Auto Insurance Program that has been implemented in Los Angeles and San Francisco. The price for the low-cost policy is lower than the private market, and is not based on the three main factors in Proposition 103. Yet policies are being sold to those who qualify. Is it fair to other drivers in those cities that they have to pay higher rates for the same coverage? Doug Heller of the Foundation for Taxpayers and Consumer Rights said it best when he admitted that elimination of territory will impact rates. He said ‘insurance is a zero sum game,’ which means that if you charge less in one area of the state, others will have to subsidize those lower rates,” Dunmoyer stated.

“It is unfair for those who can least afford to have their auto rates increased, meaning the rural poor, to have to subsidize the wealthy that live in Santa Monica, – home of Proposition 103’s author Harvey Rosenfield -- Beverly Hills or on Nob Hill in San Francisco. That is exactly what Consumers Union is asking for in calling for the elimination of cost-based rating,” he said.

“If cost-based rating was eliminated in California, good drivers in counties like Mariposa may experience as much as a +29.5 percent increase and other counties like Fresno and Madera will experience increases as well. For that reason, the counties of Mariposa, Fresno and Madera intervened as amicus in the court proceedings in support of the Appellate Court’s ruling in the *Spanish Speaking Citizens v. Low* case. The proponents apparently do not care about drivers in rural areas of the state as long as 30 percent of the drivers living in heavily populated areas will pay lower rates,” Dunmoyer concluded.