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Insurers File Lawsuit to Stop Unfair Auto Insurance Regulations

SACRAMENTO, CA, July 20, 2006 – Three insurance trade groups yesterday filed a lawsuit seeking declaratory and injunctive relief to stop enforcement of unfair California Department of Insurance (CDI) auto rating regulations which will harm millions of California policyholders.

The lawsuit was filed by Kent Keller, managing partner with Barger & Wolen LLP, on behalf of the Association of California Insurance Companies (ACIC), the American Insurance Association (AIA) and the Personal Insurance Federation of California (PIFC). The three trades represent more than 90 percent of insured drivers in California.

The lawsuit is asking the Sacramento Superior Court to declare the regulations illegal and to grant a preliminary injunction because the regulations force 60 percent of California drivers to pay more for auto insurance so other motorists can pay less.

A similar lawsuit was filed Tuesday by the California Farm Bureau Federation. The Farm Bureau is seeking to stop implementation of the regulations on behalf of its thousands of members who drive in rural and suburban neighborhoods.

“CDI’s regulations will significantly reduce where a car is garaged as a rating factor in developing auto insurance rates,” said Sam Sorich, president, ACIC. “As a result, insurers will be forced to charge unfair rates, compelling a majority of drivers – particularly in rural areas – to subsidize premiums paid by other Californians.”

“Under these regulations, the state will be picking ‘winners’ and ‘losers’ and forcing insurers to charge arbitrary rates,” said Rex Frazier, president, PIFC. “The California Court of Appeal ruled in 2000 in a case known as *Spanish Speaking vs. Low* that the auto rating regulations used today are legal and comply with the requirements set forth in Proposition 103. These new regulations violate Proposition 103 because they would require insurers to charge rates that do not reflect the actual risk of loss.”

“It is a shame that Insurance Commissioner John Garamendi ignored the concerns of millions of Californians. Decades of data prove that insurance costs differ among areas in California,” said Ken Gibson, AIA vice president, western region. “Besides being actuarially sound, it is just common sense that a driver traveling 50 miles a day through congested downtown Los Angeles faces a far greater risk of having an accident than another motorist traveling the same distance on rural roads.”

The three trade groups filed this lawsuit in a bid to keep auto insurance rates fair for all California good drivers. The Superior Court has 16 working days to conduct a hearing on the request for injunctive relief.

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