



April 5, 2017

Insurance Commissioner Dave Jones  
California Department of Insurance  
300 Capitol Mall, 17<sup>th</sup> Floor  
Sacramento, CA 95814

Re: Petition for Investigation

Dear Commissioner Jones:

An analysis by ProPublica published today concludes that some auto insurance companies doing business in California are overcharging some motorists by 10% or more solely because they live in predominantly minority neighborhoods.

As you know, Proposition 103 bars insurance companies from basing a motorist's premiums primarily upon geographic location. Finding that "the existing laws inadequately protect consumers and allow insurance companies to charge excessive, unjustified and arbitrary rates," California voters established a process under which the formula used by insurance companies to set auto insurance premiums is strictly regulated. Insurance Code section 1861.02(a) requires that premiums be determined principally by three specified rating factors – the insured's driving safety record, annual mileage, and years of driving experience – and, to a lesser extent, by any optional rating factors that "the commissioner may adopt by regulation and that have a substantial relationship to the risk of loss." (Ins. Code § 1861.02(a)(4).) The use of any rating factor that has not been adopted by the Commissioner by regulation "shall constitute unfair discrimination," which is a violation of section 1861.05(a).

California's results are better than the other states ProPublica reviewed. Still, if ProPublica's analysis is correct, some insurance companies – notably Liberty Mutual, Farmers, Nationwide and USAA – are overcharging motorists in violation of Proposition 103, the Unruh Civil Rights Act and other California laws.

While objections have been raised to the methodology used in ProPublica's analysis, the study itself explains that ProPublica was unable to obtain all the data necessary to precisely confirm its conclusions because insurance companies are not required to disclose their actual loss data by zip code. Absent that information, there is no way to determine whether insurance companies are complying with California law.

Pursuant to Insurance Code sections 1861.02, 1861.05 and 12921, we therefore request that you immediately convene a formal public inquiry to investigate this matter. The first

step should be to require auto insurance companies to submit the required data for each zip code in California.

Sincerely,

A handwritten signature in cursive script that reads "Harvey Rosenfield".

Harvey Rosenfield

A handwritten signature in cursive script that reads "Carmen Balber".

Carmen Balber