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Citizen Groups Petition Insurance Commissioner Jones to Stop Auto Insurance Surcharges Based on Occupation and Education Level

Fourteen non-profit citizen, consumer and low income advocacy organizations today formally petitioned Insurance Commissioner Dave Jones to bar auto insurance companies from discriminating against California drivers based on their occupation or education level.

“The use of these unauthorized rating factors increases the cost of insurance for California motorists and is a direct violation of Proposition 103,” the Petition to Commissioner Jones says. The groups ask the Commissioner for immediate action. Under California law, the Commissioner has thirty days to respond to the Petition.

"I studied film and work as a youth educator," said Ashley McCormick, an Auto Club policyholder. "Living in LA means that I have to own a car. But I don't think it makes sense that I should pay a higher price for insurance just because I went to film school and not law school or medical school."

Proposition 103 Bars Use of Arbitrary Rating Factors

Insurance reform Proposition 103 requires insurance companies to base premiums primarily upon driving safety record, annual mileage and years of driving experience. No other rating factors can be used unless they are proven to be “substantially related to the risk of loss,” and specifically adopted by the Commissioner as a regulation, after a full public hearing.

However, in recent years, a number of auto insurance companies have submitted so-called “affinity group” programs as part of their applications to the Department of Insurance for rate or premium changes. These programs grant special benefits to those who qualify under rating factors such as “occupation,” “educational level” or other elite memberships. Those who do not qualify for the “affinity groups” subsidize, through surcharges, those who do. The surcharges can result in premiums as much as 33% higher for

some drivers who are not a member of the insurance company's preferred occupational groups.

These rating factors have never been formally reviewed or approved in a public hearing as required by Proposition 103. However, the agency has informally approved the applications over the objections of consumer advocates. "As a result, a growing number of Californians are being subjected to unlawful surcharges," the Petition states.

Proposition 103

Proposition 103 was approved by California voters in 1988. It established a stringent system of regulation of auto, home and business insurance rates; made the consumer protection, civil rights and antitrust laws applicable to the industry for the first time; and gave California consumers powerful mechanisms to ensure the law was properly implemented, including by making the Insurance Commissioner an elected post. Last year, the Consumer Federation of America concluded that Proposition 103 had saved California consumers over \$100 billion on their auto insurance over the preceding 25 years.

Read the Petition and other related documents at [LINK](#).