



April 17, 2020

VIA EMAIL

The Honorable Ricardo Lara
Insurance Commissioner
State of California
300 Capital Mall, Suite 1700
Sacramento, CA 95814

Re: *Private Passenger Auto Rate Application of Mercury Ins., Co.,
CDI File No. 20-419*

Dear Commissioner Lara:

We write to urge you to reject Mercury's above-referenced rate application¹ seeking a 6% rate hike for COVID-19 essential workers like nurses, grocery clerks, delivery drivers, janitors, and warehouse workers, and a 5% rate hike for first responders, including paramedics/EMTs, firefighters and police officers. Instead, Mercury should be ordered to refund premiums to California policyholders based on their reduced driving during the period the state's stay home orders are in effect.

The Commissioner last approved a 6.9% overall rate increase for Mercury policyholders on March 18, 2019. (CDI File No. 18-2173.) California drivers should not have to bear a collective double-digit rate hike in two years, especially in the current stressful economic situation where many workers are facing loss of income and/or jobs due to the COVID-19 pandemic. Even Mercury's own rate templates show that it could *lower* its present rates by 12.8% under the minimum permitted premium established by the Proposition 103 ratemaking formula. And that calculation does not take into account ***the windfall that is accruing to Mercury every day that California motorists are sheltering in place and not driving their vehicles.*** Parked cars and grounded drivers cannot get into car accidents. Mercury and other auto insurance companies are pocketing the savings that should be refunded to consumers instead.

We also call on you to reject Mercury's continued use of its unfairly discriminatory four-tiered rating system under which policyholders who are not employed in one of Mercury's preferred occupations, such as CPAs or engineers with a bachelor's degree or higher, pay the highest rates. You last approved Mercury's unfairly discriminatory occupation-based rating system over Consumer Watchdog's objections on May 16, 2019. (See the Commissioner's Decision Denying Petition for Hearing in *In the Matter of the Class Plan Applications of California Automobile Insurance Company and Mercury Insurance Company*, May 16, 2019, File No. PA-2017-00009.) With its 2020 rate filing, Mercury proposes ***increasing*** the rate differentials between its occupation classifications such that ***nurses, grocery clerks, and warehouse workers would pay***

¹ Filed on Feb. 3, 2020 and publicly noticed on Feb. 14, 2020.

up to 10% more for their auto insurance than accountants and Mercury Insurance employees, and up to **13% more** than engineers. Additionally, public safety employees, including **law enforcement, firefighters, paramedics and EMTs would pay 3% more than engineers**. Once again, we urge the Commissioner to reject Mercury's unfairly discriminatory occupational rating system.

Low-income and minority drivers are especially harmed by Mercury's unfairly discriminatory occupation-based rating system,² which only adds to the financial burdens already faced by these individuals in this uncertain time. The Department's September 2019 report confirmed the discriminatory impact of occupation-based discounts, revealing that only 29% of drivers in predominately minority ZIP codes receive occupation-based discounts as compared with 47% of drivers living in ZIP codes with a predominately white population.³ In addition, 75% of drivers in Underserved Communities as defined by California Code of Regulations title 10, section 2646.6(c) do not receive these discounts.⁴ The voters passed Proposition 103 to stop this kind of unfair rate discrimination based on income or race, and occupation has never been adopted as a lawful rating factor.

We urge you to (1) reject Mercury's pending auto rate hike application; (2) order Mercury to issue premium refunds based on reduced driving during the time California's stay home order is in effect; and (2) strengthen the draft regulations the Department proposed last December and swiftly adopt final regulations to end discriminatory occupation based surcharges.

Thank you for your attention to this matter.

Sincerely,



Pamela Pressley
Senior Staff Attorney



Daniel L. Sternberg
Staff Attorney

cc:

Catalina Hayes-Bautista (Catalina.Hayes-Bautista@insurance.ca.gov)

Bryant Henley (Bryant.Henley@insurance.ca.gov)

Daniel Goodell (Daniel.Goodell@insurance.ca.gov)

Adam Gammell (Adam.Gammell@insurance.ca.gov)

Nikki McKennedy (Nikki.McKennedy@insurance.ca.gov)

Joseph Miller (JBMiller@mercuryinsurance.com)

² California Department of Insurance, Investigatory Hearing on the Use of Group Rating in Private Passenger Automobile Insurance (Sept. 17, 2019), http://www.insurance.ca.gov/0400-news/0200-studies-reports/upload/CDI-Affinity-Group-Hearing-Powerpoint9_17_19_Public.pdf.

³ *Id.* As only about 1/3 of companies the Department surveyed provided the requested data, we urge the Commissioner to subpoena the remaining companies to submit their data and disclose all data to the public.

⁴ *Id.*