

**DEPARTMENT OF INSURANCE**

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April 28, 2017

Ms. Christina Tetreault  
Staff Attorney  
Consumer Union  
West Coast Office  
1535 Mission Street  
San Francisco, California 94103

RE: Request for Investigation into Auto Insurance Pricing in California

Dear Ms. Tetreault:

The California Department of Insurance (Department) is in receipt of your letter requesting an investigation be held with respect to the auto insurance pricing practices of insurers in California as a result of the recent countrywide auto insurance pricing article and analysis published by ProPublica. We want you to know that we have taken these pricing allegations very seriously. Commissioner Dave Jones has directed the Rate Regulation Branch to require the eight California insurance companies identified in ProPublica's article to submit filings of their auto class plans and rating methodologies for review of discriminatory rating practices.

ProPublica contends these eight insurers have significantly different estimated average ZIP code premiums between minority and nonminority ZIP codes of similar average loss risk. While ProPublica concedes that their "averaging" analysis does not take into account the actual risk that each carrier is taking on in these ZIP codes or the actual experience of the drivers insured, and therefore differences in "average" estimates of rates between ZIP codes may not mean there is actual discrimination, the Commissioner nonetheless has directed that the Department review the rating of each of the eight carriers.

To investigate this contention, all necessary information to complete a thorough analysis on a file-by-file basis has already been or will be obtained from the eight insurers. The Department's analysis will determine if there are inequities with respect to the pricing and treatment of any ZIP codes by these insurers. In accordance with Commissioner Jones' instructions, the Department will require the reassignment of any ZIP codes that were not already placed in actuarially supported rating bands with similar experience for frequency and severity of loss. The ultimate

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goal of each analysis will be to ensure that rates are neither excessive nor unfairly discriminatory. The Department will continue this focus on ZIP code treatment in all subsequent class plan filings made by any insurer. The results of the Department's review into these eight insurers pricing practices will be made public.

Thank you for your letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Allen", with a stylized flourish at the end.

Ken Allen, CPCU, AIE  
Deputy Commissioner, Rate Regulation Branch