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**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA**

In the Matter of the Petition to Intervene of:

File No. IP-2016-00003

**RULING GRANTING  
UNITED POLICYHOLDERS  
PETITION TO INTERVENE**

UNITED POLICYHOLDERS,  
  
Petitioner.

*In the Matter of the Rate Application of  
CSAA INSURANCE EXCHANGE*

Rate Application File No.:  
16-934 (homeowners)

Prior Approval File No. PA-2016-00003

On February 24, 2016 United Policyholders ("UP") filed a Petition for Hearing, Petition to Intervene, and Notice of Intent to Seek Compensation ("Petition") in connection with the above-referenced rate application filed by CSAA Insurance Exchange ("CSAA").

The California Insurance Commissioner ("Commissioner") grants the Petition to Intervene and makes the following findings and determinations.

**I. APPLICABLE LAW**

In November 1988, California initiative measure Proposition 103 added §§ 1861.01, *et seq.*, to the California Insurance Code ("CIC"), governing the approval of premium rates for property and casualty lines of insurance in California.

Cal. Ins. Code § 1861.10 provides for consumer intervention in California Department of Insurance ("Department") proceedings relating to Proposition 103:

(a) Any person may initiate or intervene in any proceeding permitted or established pursuant to this chapter, challenge any action of the commissioner under this article and enforce any provision of the article.

(b) The commissioner or a court shall award reasonable advocacy and witness fees and expenses to any person who demonstrates that (1) the person represents the interests of consumers, and (2) that he or she has made a

1 substantial contribution to the adoption of an order, regulation or decision by the  
2 Commissioner or a court.

3 The provisions of CIC § 1861.10 are implemented by California Code of Regulations,  
4 Title 10, §§ 2661.1, *et seq.*, governing the Department's Intervenor Program.

5 Cal. Code Regs. § 2661.2 permits intervention if the intervenor's issues are relevant to  
6 the issues of the proceeding.

7 Any person shall be permitted to intervene in any proceeding on any rate  
8 application or in any proceeding subject to Chapter 9 or Part 2 of Division 1 of the  
9 California Insurance Code if the issues to be raised by the intervenor or  
participant are relevant to the issues of the proceeding.

10 Cal. Code Regs. § 2661.2 and Cal. Code Regs. § 2661.3 set forth the procedures for  
11 such intervention.

12 Cal. Code Regs. § 2661.3(d) requires that an amended budget be submitted as soon as  
13 possible when the intervenor learns that the total estimated budget amount has increased by  
14 \$10,000 or more.

15 Cal. Code Regs. § 2653.4 allows an insurer to submit an answer to a Petition for Hearing  
16 within 5 business days of the service of the Petition for Hearing.

17 Cal. Code Regs. § 2661.3(f) allows any party to submit a response to a Petition to  
18 Intervene within 5 days of filing of the Petition to Intervene.

## 19 **II. APPLICATION**

20 On February 1, 2016, CSAA filed a rate application (file no. 16-934) wherein CSAA  
21 requested a rate increase of +4% for their homeowners line of insurance.

22 On February 12, 2016, the Department notified the public of the applications. Cal. Ins.  
23 Code § 1861.05 (c).

## 24 **III. PETITION**

25 On February 24, 2016, UP submitted its verified Petition for Hearing, Petition to  
26 Intervene, and Notice of Intent to Seek Compensation. UP requested that the Commissioner  
27 schedule a public hearing regarding the above-referenced applications and grant it leave to  
28 intervene in the proceeding.

1 UP stated it would present and elicit evidence that CSAA's rate application violates Cal.  
2 Ins. Code § 1861.05, subdivisions (a) and Cal. Code Regs. § 2644.1 because the sought after  
3 rate increase is excessive, and or unfairly discriminatory and are above the maximum permitted  
4 earned premium.

5 UP also stated that it will attend and participate in this proceeding without "unreasonably  
6 delaying this proceeding or any other proceedings before the Insurance Commissioner."

7 UP stated that, based on its preliminary analysis and the information contained in the  
8 application, it will present and seek evidence during the hearing on the following issues to show  
9 that the Commissioner should reject CSAA's rate application seeking a 4% rate increase  
10 because:

- 11 1. The request for variance 2(A) for quality of service is inappropriate because the  
12 Applicants have failed to show that they provide a higher quality of service, that  
13 their measures of consumer satisfaction are objective or how much relief from the  
14 efficiency standard is appropriate or otherwise authorized by 10 CCR § 2644.12.
- 15 2. The request for variance 3 for a leverage factor that deviates from 10 CCR  
16 §2644.4 is inappropriate because Applicants have failed to show that they write at  
17 least 90% of their direct earned premium in California or that their mix of business  
18 presents investment risk different from the risks that are typical of the line as a  
19 whole.
- 20 3. The request for variance 7(C) is inappropriate because the Applicants have failed  
21 to show that there are changes in their reserving ratio or claims closing practices  
22 that significantly affect the data. 10 CCR § 2644.21.
- 23 4. Applicants' loss trend selection is inappropriate because the Applicants have  
24 failed to show that they have selected the most actuarially sound data. 10 CCR §  
25 2644.7.
- 26 5. The Applicants' catastrophe adjustment is inappropriate because the Applicants  
27 have failed to show that they have enough years of data, that the adjustment  
28 reflects any changes between the historical and prospective exposure to  
catastrophe due to a change in the mix of business, that they have properly  
applied total insured value trend or that the models they used for fire following  
earthquake conform to the standards of practices as set forth by the Actuarial  
Standards Board or that they are based upon the best available scientific  
information. 10 CCR § 2644.5.
6. The Applicants' efficiency standard is inappropriate because the Applicants have  
failed to show that they distribute through independent agents. 10 CCR §  
2644.12.
7. The Applicants' Fire Line rating variable is inappropriate because the Applicants  
have failed to show that their proposed factors are not unfairly discriminatory or  
otherwise in violation of Cal. Ins. Code § 1861.05.

1 Based upon its initial analysis, UP believes the Application's request for a rate increase  
2 should be rejected and further corrective action taken as necessary.

3 UP stated that its Petition is based on a preliminary analysis of the Application. UP  
4 reserved the right to modify, withdraw and/or add issues for consideration as more information  
5 becomes available.

6 Pursuant to CCR § 2661.3(c), UP indicated that it intends to seek compensation in the  
7 proceeding and submitted its Preliminary Budget for participation in this proceeding:

<b>Attorneys' Fees</b>	<b>Hours</b>	<b>Rates</b>	<b>Fees/Expenses</b>
<b>Amy Bach</b>	<b>100</b>	<b>\$575</b>	<b>\$57,500</b>
<b>Daniel Wade</b>	<b>200</b>	<b>\$325</b>	<b>\$65,000</b>
<b>Office and Travel Expenses</b>			<b>\$2,000</b>
<b>Expert Witness Fees</b>	<b>Hours</b>	<b>Rates</b>	<b>Fees/Expenses</b>
<b>Eric Johnson, Actuary</b>	<b>200</b>	<b>\$675</b>	<b>\$135,000</b>
<b>TOTAL FEES and EXPENSES</b>			<b>\$259,500</b>

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13 **IV. CSAA DID NOT FILE AN ANSWER TO INTERVENOR'S PETITION**

14 On March 2, 2016, CSAA's legal counsel stated in an email that CSAA would not be  
15 responding to UP's petition to intervene, but that it would respond to the petition for a hearing at  
16 a later date.

17 **V. FINDINGS**

18 UP has complied with Cal. Code Regs. §§ 2661.3 and 2661.4 and has met the  
19 requirements set forth in Cal. Code Regs. §§ 2652.1 through 2652.4, inclusive. (See, Cal. Code  
20 Regs. section 2661.4(a).)

21 The Commissioner finds that that the specific issues that UP seeks to address, as set  
22 forth above, are relevant to the ratemaking process. The Commissioner finds that the amount of  
23 compensation sought is not grounds for denying intervention.

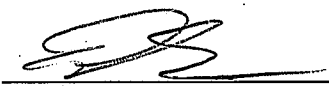
24 **VI. ORDER**

25 For the foregoing reasons, UP's Petition to Intervene is hereby GRANTED.

26 This Ruling grants only UP's Petition to Intervene. The Petition for Hearing will be  
27 determined in a separate Order.  
28

1 This Ruling Granting the Petition to Intervene does not ensure compensation. UP must  
2 show substantial contribution to the proceedings and document and substantiate the  
3 hourly rate being sought in the Request for Compensation, including the attorney's  
4 hourly rate, before compensation will be awarded. In order to receive compensation in  
5 this matter, UP must comply with all of the relevant provisions of Cal. Ins. Code §  
6 1861.10 and Cal. Code Regs. §§ 2661.1, *et seq.* A separate Decision will be issued on  
7 the basis of the UP's substantial contribution to the proceeding.

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9 Dated: *March 9*, 2016 DAVE JONES  
10 Insurance Commissioner

11 By   
12 Edward Wu  
13 Public Advisor  
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**PROOF OF SERVICE**  
**In the Matter of the Petition to Participate of**  
**UNITED POLICYHOLDERS, Petitioner**  
**Case No. IP-2016-00003**

I am over the age of eighteen years and am not a party to the within action. I am an employee of the Department of Insurance, State of California, employed at 45 Fremont Street, 19th Floor, San Francisco, California 94105. On March 11, 2016, I served the following document(s):

**RULING GRANTING UNITED POLICYHOLDERS PETITION TO INTERVENE *In the Matter of the Rate Application of CSAA INSURANCE EXCHANGE* - Rate Application File No.: 16-934 (homeowners) - Prior Approval File No. PA-2016-00003**

on all persons named on the attached Service List, by the method of service indicated, as follows:

If **U.S. MAIL** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items to be sent by mail, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for mailing by U.S. Mail. Under that practice, outgoing items are deposited, in the ordinary course of business, with the U.S. Postal Service on that same day, with postage fully prepaid, in the city and county of San Francisco, California.

If **OVERNIGHT SERVICE** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items for overnight delivery, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for overnight delivery. Under that practice, outgoing items are deposited, in the ordinary course of business, with an authorized courier or a facility regularly maintained by one of the following overnight services in the city and county of San Francisco, California: Express Mail, UPS, Federal Express, or Golden State overnight service, with an active account number shown for payment.

If **FAX SERVICE** is indicated, by facsimile transmission this date to fax number stated for the person(s) so marked.

If **PERSONAL SERVICE** is indicated, by hand delivery this date.

If **INTRA-AGENCY MAIL** is indicated, by placing this date in a place designated for collection for delivery by Department of Insurance intra-agency mail.

If **EMAIL** is indicated, by electronic mail transmission this date to the email address(es) listed.

Executed this date at San Francisco, California. I declare under penalty of perjury under the laws of the State of California that the above is true and correct.



Christine Warren

**SERVICE LIST**  
**In the Matter of the Petition to Participate of**  
**UNITED POLICYHOLDERS, Petitioner**  
**Case No. IP-2016-00003**

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<u>Name/Address</u>	<u>Phone/Fax Numbers</u>	<u>Method of Service</u>
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