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

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

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

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

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

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

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

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

II. APPLICATION

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

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

III. PETITION

On February 24, 2016, UP submitted its verified Petition for Hearing, Petition to Intervene, and Notice of Intent to Seek Compensation. UP requested that the Commissioner schedule a public hearing regarding the above-referenced applications and grant it leave to intervene in the proceeding.
UP stated it would present and elicit evidence that CSAA's rate application violates Cal. 
Ins. Code § 1861.05, subdivisions (a) and Cal. Code Regs. § 2644.1 because the sought after
rate increase is excessive, and or unfairly discriminatory and are above the maximum permitted
earned premium.

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

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

1. The request for variance 2(A) for quality of service is inappropriate because the
Applicants have failed to show that they provide a higher quality of service, that
their measures of consumer satisfaction are objective or how much relief from the
efficiency standard is appropriate or otherwise authorized by 10 CCR § 2644.12.

2. The request for variance 3 for a leverage factor that deviates from 10 CCR
§2644.4 is inappropriate because Applicants have failed to show that they write at
least 90% of their direct earned premium in California or that their mix of business
presents investment risk different from the risks that are typical of the line as a
whole.

3. The request for variance 7(C) is inappropriate because the Applicants have failed
to show that there are changes in their reserving ratio or claims closing practices
that significantly affect the data. 10 CCR § 2644.21.

4. Applicants’ loss trend selection is inappropriate because the Applicants have
failed to show that they have selected the most actuarially sound data. 10 CCR §
2644.7.

5. The Applicants’ catastrophe adjustment is inappropriate because the Applicants
have failed to show that they have enough years of data, that the adjustment
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.
Based upon its initial analysis, UP believes the Application's request for a rate increase should be rejected and further corrective action taken as necessary.

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

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

<table>
<thead>
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<th>Attorneys' Fees</th>
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<td>Amy Bach</td>
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<td>Eric Johnson, Actuary</td>
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TOTAL FEES and EXPENSES $259,500

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

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

V. FINDINGS

UP has complied with Cal. Code Regs. §§ 2661.3 and 2661.4 and has met the requirements set forth in Cal. Code Regs. §§ 2662.1 through 2662.4, inclusive. (See, Cal. Code Regs. section 2661.4(a).)

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

VI. ORDER

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

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

Dated: March 9, 2016

DAVE JONES
Insurance Commissioner

By Edward Wu
Public Advisor
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
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<tr>
<th>Name/Address</th>
<th>Phone/Fax Numbers</th>
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<tbody>
<tr>
<td>Amy R. Bach</td>
<td>Tel: (415) 393-9990 Fax: NA</td>
<td>EMAIL</td>
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<td>Daniel R. Wade</td>
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<td>UNITED POLICYHOLDERS</td>
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<td>381 Bush Street, 8th Floor</td>
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<td>amy <a href="mailto:bach@uphelp.org">bach@uphelp.org</a></td>
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<td>dan <a href="mailto:wade@uphelp.org">wade@uphelp.org</a></td>
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<td>Vanessa O. Wells</td>
<td>Tel: (650) 463-4000 Fax: (650) 463-4199</td>
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<td>Victoria C. Brown</td>
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<td>HOGAN LOVELLS US LLP</td>
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<td>vanessa <a href="mailto:wells@hoganlovells.com">wells@hoganlovells.com</a></td>
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<td>victoria <a href="mailto:brown@hoganlovells.com">brown@hoganlovells.com</a></td>
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<td>Stan Bair</td>
<td>Tel: (415) 538-4500 Fax: (415) 904-5490</td>
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<td>Emily Gallagher</td>
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<td>Daniel Goodell</td>
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<td>Rate Enforcement Bureau</td>
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<tr>
<td>CALIFORNIA DEPARTMENT OF INSURANCE</td>
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<td>45 Fremont Street, 21st Floor</td>
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<td>San Francisco, CA 94105</td>
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<tr>
<td><a href="mailto:Stan.Bair@insurance.ca.gov">Stan.Bair@insurance.ca.gov</a></td>
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<tr>
<td><a href="mailto:Daniel.Goodell@insurance.ca.gov">Daniel.Goodell@insurance.ca.gov</a></td>
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