



Roadmap to Recovery®  
Advocacy and Action  
Roadmap to Preparedness

March 19, 2024

California Department of Insurance  
300 Capitol Mall, 17th Floor  
Sacramento, CA 95814  
Phone: (916) 492-3705

CDIRegulations@insurance.ca.gov  
*Sent Via Email*

**Testimony For REG-2019-00025 – “Complete Property and Casualty Rate Regulation”**

United Policyholders<sup>1</sup> appreciates the opportunity to comment on the proposed regulations and thanks the CDI and Commissioner Lara for taking this step forward to not only improve the transparency of the rate approval process but also to add much needed new requirements specifying components critical to evaluation of a filing for a new rating plan or for a change to an existing rating plan.

Arguably these amendments are long overdue.

It is our belief that the proposed language for each of subsections 2648.4(a), (b), and (c) are essential to positioning the Department as well as consumers and consumer groups to have the necessary details regarding the proposed rate - not only to make a determination of the appropriateness of the rate, but to more readily determine if subsequent application of the rate is consistent with the approved application. This is a very important step forward.

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<sup>1</sup> United Policyholders (“UP”) is a non-profit organization that has been informing, helping, and speaking for insurance consumers in the United States since 1991. UP is funded by donations and grants and its work is largely done by volunteers. Through its Roadmap to Preparedness and Roadmap to Recovery programs, UP helps Americans be personally responsible by reducing risk, buying insurance, and navigating the claim process successfully after a loss.

However, it is also our belief that the Department should go further in improving the prior approval process.

First, the process should require that the insurer file the policy form(s) that will be in effect if and when the proposed rates take effect. If the filing is for a rate change, the insurer should highlight the differences (if any) between the policy form(s) in effect during the historical loss period and the proposed forms. An explanation of the impact(s) of the change(s) to the policy forms should be addressed in the filing.

Second, if the filing is for a rate change, the process should require that the insurer file a detail of any changes to the criteria specified in proposed 2648.4(b)(1)(2) and (3) from those same rules and guidelines that were in effect during the historical loss period used to justify the filing.

For example, assume that much of an insurer's homeowners' line's catastrophic fire losses occurred in homes located in Fire Protection Class 10. Then consider whether the insurer has since nonrenewed most of those insureds as well as prohibited eligibility for new business. This would greatly impact the catastrophe adjustment that would be justified moving forward. Again, an explanation of the impact of the changes to the underwriting criteria for new or renewal business should be addressed in the filing.

The purpose of these enhancements would be to make clear the contrast between and changes in coverages, in eligibility for coverage, or in the composition in the insured population between the information relied upon to approve the rates in effect as compared to coverages and underwriting standards that will be in place during the tenure of the proposed rate. Further, the filing would then provide a more complete record for comparative information that could be used to validate subsequent filings.

United Policyholders is aware that recent catastrophe losses have led insurers to file for significant rate increases for residential and commercial coverages. But we have also found that there have been many recent nonrenewals as well as restrictions on new business – arguably these would impact the future loss experience for the insurers involved and require filtering of the loss experience submitted to support subsequent rate increase filings.

This regulation, if adopted with the suggested amendments, will provide additional safeguards against changes in eligibility or coverage going unrecognized in the rate approval process.

Sincerely,

A handwritten signature in black ink that reads "Amy Bach". The signature is fluid and cursive, with the first name "Amy" and the last name "Bach" clearly distinguishable.

Amy Bach  
Executive Director