

CDI Review Requirements Checklist For Private Passenger Auto

REVIEW REQUIREMENTS	REFERENCE	COMMENTS
FORMS		
Standard Requirements		
Policy shall specify	CIC 381	Lists required contents of policy
Insurer's name on policy.	CIC 430	The insurer's name or name approved for use by the commissioner, must be printed in large bold print in at least the size type used in the policy or on the face page.
Disclosure of consumer affairs unit to new policyholders	CIC 510	Insurers must include a written disclosure containing the name, address, and toll-free telephone number of the unit of the Department of Insurance that deals with consumer affairs. The disclosure should be printed in large, boldface type.
Red - Ink Clauses	CIC 2081	Whenever a clause is inserted, or rider attached, affecting the standard form liability of the insurer for loss or damage by fire occasioned either directly or indirectly by hurricane, volcanic action or other disturbance of nature, the clause or rider shall be printed in red ink in type larger than small pica and at the head of the policy there shall be printed in red ink and in large boldfaced type the words, "This policy contains limitations of liability not permitted in the California standard form."
Definitions	CIC 660 and 669.7	Defines personal automobile coverage.
Applications		
Application form NOT required to be filed		
Discrimination	CIC 679.72	Prohibits an application from carrying identification, or requirement of an applicant's race, color, religion, national origin or ancestry.
Arbitration		
Uninsured/Underinsured Claims	11580.2(f)	Requires UM/UIM policies to contain language providing arbitration over disputes regarding whether the insured is entitled to recover damages and the amount of damages.
Bankruptcy Provision		
Policy Content	CIC 11580	A liability policy must contain a provision that the insolvency or bankruptcy of the insured will not release the insurer from payment of damages during the life of the policy. The policy must also contain a provision that an action against the insurer may be made when a judgment has been secured against the insured or the executor or administrator of a deceased insured.
Cancellation & Nonrenewal		

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Cancellation Reasons	1861.03(c)(1)	Policies may be cancelled or nonrenewed only for the following reasons: (1) non-payment of premium; (2) fraud or material misrepresentation affecting the policy or the insured; (4) A substantial increase in the hazard insured against;
Cancellation No. of Days Notice	CIC 662	A 10 days notice is required for nonpayment. All other permissible cancellation reasons require a 20 day notice.
Nonrenewal No. of Days Notice	CIC 663	Policies being nonrenewed by the insurer require a 30 day notice. When the notice of nonrenewal is mailed less than 30 days before the policy expiration date, the policy remains in effect for 30 days after the notice mailing date.
Refund policy	CIC 481, 481.5	Requirements regarding refund of unearned premium.
Adverse Underwriting Decision	CIC 791.12	Adverse underwriting decision; prohibited grounds.
Loss Settlement		
Notice of Loss	CIC 551	An insured may provide notice of an accident, injury or death within 20 days. A policy must not have a requirement of notice for a lesser period.
Punitive Damages		
Punitive Damages Prohibited	CIC 533.5	Coverage for punitive damages is prohibited. Any policy, primary, excess or umbrella, which provides coverage for punitive damages must contain a California exclusionary endorsement. Or, if punitive damages are added by endorsement, the endorsement must state that punitive damages do not apply in California.
UM/UIM, PIP, No Fault		
Offer and deletion of UM coverage	CIC 11580.2 and CIC 11580.26	An insurer is required to provide UM coverage in each personal auto liability/physical damage policy it issues. The applicant may elect to delete the coverage completely or delete the coverage when a vehicle is operated by a designated person.
Required limits	CIC 11580.2(m), CIC 11580.2(n)	Uninsured and Underinsured Motorists coverage shall be offered with limits equal to the limits of liability for bodily injury in the underlying policy, but shall not be required to be offered with limits in excess of \$30,000/\$60,000.

RATING

Pricing		
Prior Approval	CIC 1861.01 (C), 1861.05 (b), CCR Title 10, Subchapter 4.8	Requires filing of rates prior to implementation.
Rate Adequacy	CIC 1861.05(a)	No rate shall be in effect that is excessive, inadequate nor unfairly discriminatory.

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Policy Fees (Not broker fees)	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8	Policy fees, and other similar fees, such as inspection fees, are premium. Therefore, requests from carriers to change their fees will require a prior approval filing.
Lowest Premium	CCR 2360.3	An insurer shall charge each insured the lowest Premium for which the insured qualifies. At each policy renewal the insurer shall adjust the Premium charged to the insured, as necessary, to reflect the lowest Premium for which the insured qualifies at that time.
Premium Increase for convictions during employment	CIC 488	Specifies the limitations on PPA premium increases for certain individuals due to violations committed while operating a motor vehicle during work.
Premium Increase for accidents during employment for peace officers and federal officers	CIC 488.5	Prohibits insurers from increasing the premium on a PPA policy for the reason that the insured or applicant has been involved in an accident while operating an authorized vehicle in the performance of his or her duty during the hours of employment.
Rating plan of motor vehicle liability insurance and not at fault accidents	CIC 491	Rating plan provision should not increase the premium of an insured or applicant for an accident in which the insured is not at fault.
Auto Minimum Coverage Limits		
15,000/30,000/5,000	CIC 11580.1(b), Ca Veh. Code	Financial responsibility requirements can be satisfied by insurance or bond.
Discounts		
Disclosure of Discounts	CIC 11580.15	Insurers must disclose any discounts that are available for motor vehicle insurance.
Good Drivers Discount	CIC 1861.02(b), CCR 2632.13	An insurer shall not refuse to offer and sell a Good Driver Discount policy to any person who meets the standards of 1861.025. The rate charged for a Good Driver Discount policy shall be at least 20% below the rate the insured would otherwise have been charged for the same coverage. The 20% discount should be the last step and apply to the total premium including all policy fees, reinstatement and endorsement fees.

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Good Drivers Discount eligibility	CIC 1861.025	A person is qualified to purchase a Good Driver Discount policy if they have 1) been licensed for the previous three years; 2) During the three years they have not had more than one violation point of section 12810 subdivision (a), (b), (c), (d), (e), (g), or (h) of the vehicle code (a driver principally at fault for an accident that resulted only in property damage shall receive one point in addition to any other points); 3) had not had more than one dismissal; 4) Was not the principally at fault driver of a vehicle involved in an accident that resulted in bodily injury; 5) During previous seven years has not been convicted of DUI.
Good Drivers Discount eligibility	CCR 2632.13(b)	Points assigned under 1861.025 should only be for traffic violation convictions appearing on the MVR with conviction dates not more than thirty-six months prior to the policy effective dates.
Mature Driver Discount	CIC 11628.3	Insurers shall provide for an appropriate discount in premium rates for liability insurance for principal operators who are 55 years or older and who produce proof of successful completion of a mature driver improvement course provided for and approved by the Department of Motor Vehicles.
Rating Plan Requirements		
Filing of Class Plan	CCR 2632.5(a)	Every insurer offering or issuing a policy of automobile insurance shall establish a class plan for the calculation of rates.
Use of mandatory rating factors	CCR 2632.5(c1) - CCR 2632.5(c3), CIC 1861.02	<p>The First Mandatory Factor is the insured's driving safety record per CIC Section 1861.02(a)(1), which is the public record of violation points and the principally at fault accidents for the driver rated on the insured vehicle.</p> <p>The Second Mandatory Factor is the number of miles he or she drives annually. Insurers may not retroactively adjust premiums based on actual miles driven unless notice is provided prior to the effective date of the policy.</p> <p>The Third Mandatory Factor is the number of years of driving experience the insured has. This means the number of years experience that the driver rated on the insured vehicle has been licensed to drive in any jurisdiction. To the extent that a policy provides coverage for motorcycles, this factor shall refer to the number of years that the driver has been licensed to drive motorcycles in any jurisdiction.</p>

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Use of optional rating factors	CCR 2632.5(d), CIC 1861.02	<p>Insurers may utilize the following optional rating factors:</p> <ol style="list-style-type: none"> 1. Type of Vehicle; 2. Vehicle performance capabilities, including alterations made subsequent to original manufacture; 3. Type of use of vehicle (pleasure only, commute, business, farm, commute mileage, etc.); 4. Percentage use of the vehicle by the rated driver; 5. Multi-vehicle household; 6. Academic standing of the rated driver; 7. Completion of driver training or defensive driving courses by the rated driver; 8. Vehicle characteristics, including engine size, safety and protective devices, damageability, reparability, and theft deterrent devices; 9. Gender of the rated driver; 10. Marital status of the rated driver; 11. Persistency; 12. Non-smoker; 13. Secondary Driver Characteristics. This factor may be composed of a combination of the following factors: Safety Record, Years Licensed, Gender, Marital Status, Driver Training, and Academic Status. 14. Multi-policies with the same, or an affiliated company. 15. Relative claims frequency. This factor shall contain a maximum of ten categories and shall reflect where the insured vehicle is garaged. These categories shall be defined by the insurer. 16. Relative claims severity. This factor shall contain a maximum of ten categories and shall be defined by the insurer.
Analysis of Rating Factors	CCR 2632.7a-b	<p>A sequential analysis should be performed to associate initial relativities with a rating factor. The sequential analysis shall analyze the rating factors one at a time, in the following order: (1) driving record, (2) annual mileage, (3) years licensed, (4) Any and all optional factors which can be in any order, with the exception that frequency band and severity band shall be analyzed last.</p>
Balancing Initial Relativities	CCR 2632.7c	<p>For each rating factor the initial relativities shall balance to a weighted average of 1.0 for multiplicative factors or balance to a weighted average of 0.0 for additive factors. The weighting factor for the weighted average shall be the number of exposures from the data chosen for use in section 2632.8(b).</p>
Factor Weights	CCR 2632.8a	<p>For each coverage, weights shall be calculated for each mandatory factor and one weight for all the optional factors combined.</p>

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Factor Weights (data used)	CCR 2632.8b	The data used to compute the weights shall be based on one of the following: 1) all of the subject company's currently insured vehicles, 2) the same data set used to perform the sequential analysis, or 3) the set of insured vehicles that may be published by the Department of Insurance.
Factor Weights (calculation)	CCR 2632.8c	For every vehicle in the data set & each rating factor utilized in the class plan 1. First, calculate the premium using the initial relativities from Section 2632.7(c); 2. Second, calculate the premium excluding the rating factor being analyzed; 3. Third, calculate the absolute value of the difference between subdivision (c)(1) and subdivision (c)(2); 4. The weight for the rating factor being analyzed is the summation of the amounts in subdivision (3) divided by the number of calculations.
Factor Weights (proper order)	CCR 2632.8d	The weights of the factors must align in decreasing order. Driving safety record must have the most weight, followed by annual miles driven followed by years of driving experience followed by the weight for the optional factor.
Use of Data	CCR 2632.9	An insurer that does not have credible data to support any category of a rating factor may use only one of the following for every rating factor: (1) the insurer's own data; or, (2) the insurer's own data and the data from a single alternative source of primary data; or, (3) data from a single alternative source of primary data, such as an advisory organization; or, (4) the indicated relativity from the approved plan of another insurer with a similar book of business; or (5) data that may be published by the Department; or, (6) data that may be published by the Department and the insurer's own data. If data from another source is used, it must only be the raw data before any adjustment factors have been applied.
Rating of More Vehicles Than Drivers	2632.5(b)	If there are more vehicles on a policy than drivers, the insurer shall assign either a rate for an undesignated driver or the lowest rate for all driver related factors to the excess vehicles.

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Upgrades	CCR 2360.7	Whenever an insurer makes insurance with broadened or enhanced coverage available to new insureds, the insurer shall offer the same broadened or enhanced coverage to all existing insureds which otherwise qualify for the newly broadened or enhanced coverage, and the insurer shall apply the same rating plans to both new and existing insureds in accordance with this chapter. Any change in coverage offered to existing insureds under this section shall be offered no later than the next renewal date.
Territory Definitions		
Size of Territory	11628(a)	Territories must be 20 square miles.
Loss experience in territory	11628(a)	Loss experience by zip code must be maintained.
Symbols		
Submission of Symbols	CCR 2632.11(i)	The methodology for determining symbols, and all values and relativities associated with the symbols must be filed for approval prior to use. This also applies to any changes made to the symbols.
Filing Requirements		
Prior Approval of rates, rules, and forms	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions	Insurers who desire a rate change shall file a complete rate application. The applicant shall have the burden of proving the requested rate change is justified. The commissioner shall notify the public of any rate change application. The application shall be deemed approved 60 days from the public notice unless a consumer requests a hearing within 45 days of the public notice or the commissioner decides to hold a hearing or the proposed rate adjustment exceeds 7% for personal lines, in which the commissioner must hold a hearing upon a timely request.
Complete Rate Application	CIC 1861.05(b), 1857.7, 1857.9, 1864 and CCR	Specifies the required contents - for a complete application for approval of rates.
Prior Approval of rates, rules, and forms by line of insurance	CIC 1861.01(c), 1861.05(b), 1857.7, CCR 2642.7, 2643.3(b) and Filing Instructions	Requires rate filing applications on a line by line basis. CCR 2642.7 lists the lines of insurance.
Auto Liab. & Phys. Dam. combined filing.	CIC 1853.97	Auto liability and auto physical damage insurance may at the option of the insurer be considered a single line for rate filing purposes.

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Ratemaking data filed separately by coverage	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions	CA-RA5 of the rate filing application must be done separately for each PPA coverage (e.g. BI, PD, MP, UM/UIM, com., coll.), besides completing a CA-RA5 for all coverages combined.
Class Plan File Required	CCR Title 10, Chapter 5, Subchapter 4.7	Every insurer wishing to change any rating factors or introduce a new Private Passenger Automobile program must complete a Class Plan filing in compliance with Title 10, Chapter 5, Subchapter 4.7 of the California Code of Regulations. The filing instructions and suggested class plan application format are available to assist insurers in this filing process.
All files containing forms	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions	All filings containing forms (whether company or an advisory organization) must have forms filing pages CA-FA1 and CA-FA2 completed in the rate application.
New Programs	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions- New Programs Section	ALL manual rules, underwriting rules, rates, and forms to be used with a new program must be submitted with the rate application. If the proposed forms are AO forms or company forms already in use with other programs, and previously filed, then the forms do not need to be filed with the New Program. However, they must be listed on the CA-FA1 page with the CDI file number for the approved form filings.
Advisory Organization(AO) Forms --adoptions	CIC 1855.5	Requires approval of an advisory rating organization's policy and endorsement forms prior to use by insurers.
Forms without coverage changes	CIC 1861.01(c), 1861.05(b), CCR Title 10, Subchapter 4.8 and Filing Instructions	Forms that do not affect changes in coverage do not need to be filed.
Mailing Address	Rate Filing Application Instructions	Mail all completed filing applications to: CALIFORNIA DEPARTMENT OF INSURANCE, RATE REGULATION DIVISION, Rate Filing Bureau, 45 Fremont Street, 23rd Fl., San Francisco, CA 94105. Do not address files to the Commissioner.
General Filing References		
Maintenance of records	CIC 1857	Provides that insurers shall maintain reasonable records to support and explain the rating plans, and underwriting rules.
Documentation Supporting Rates	CCR 2360.6	The insurer shall keep documentation in the underwriting file for every insurance policy issued to every insured, identifying all information which the insurer considered in determining the Premium charged to the insured. This documentation shall be maintained at all times during which a policy is in force and for at least three years from the policy inception date.

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Reinsuring Non-admitted Insurers	CIC 803	No admitted insurer shall assume or reinsure the liabilities of a non admitted insurer for the purpose of circumventing the rate and form provisions of the CIC.
Burden of proof	CIC 1861.05(b) and CCR 2646.5	The insurer has the burden of proving that its rate is not excessive, inadequate, unfairly discriminatory, or otherwise in violation of the CIC.
Coverage for Permissive Drivers	CIC 11580.1(b)(4)	All permissive drivers must be provided the same coverage as the name insured, except limits can be set at level of financial responsibility.
Description of Exclusions	CIC 11580.1(b)(3)	Policies must contain a description of purpose of coverage for the vehicles specifically excluded.
Collision required for Comprehensive	CIC 11580.07	An insurer may not require collision coverage to be maintained in order to purchase comprehensive coverage.
Statement of Limits of Coverage	CIC 11580.08	A notice stating limits of future coverage is required. The notice shall be prominently displayed on the first page of the policy or in related documents.
Mexico Warning	CIC 11580.6	Warning which must be included in an auto liability policy concerning liability coverage in Mexico.
Child Passenger Restraint Systems	CIC 11580.011	All auto liability policies must provide coverage for replacement of child passenger restraint system that was in use by a child during an accident, the coverage should also be included under uninsured motorist property damage and physical damage coverage if the insured elects to have those coverages.