

**DEPARTMENT OF INSURANCE**

300 Capitol Mall, 17th floor  
Sacramento, CA 95814  
www.insurance.ca.gov

**ADVISORY NOTICE**

**DATE:** FEBRUARY 18, 2005

**TO:** ALL PROPERTY AND CASUALTY INSURERS SUBJECT TO PROPOSITION 103 AND OTHER INTERESTED PERSONS

**SUBJECT:** RATE INCREASE APPLICATIONS WHICH EXCEED THE STATUTORY THRESHOLDS SET FORTH IN CALIFORNIA INSURANCE CODE SECTION 1861.05(c)(3).

The purpose of this advisory notice is to explain how the Department handles applications for rate increases when the following two conditions exist: first, the rate increase sought in the original rate application (the "proposed rate adjustment") exceeds the applicable threshold set forth in California Insurance Code ("CIC") Section 1861.05(c)(3). Second, a consumer or his or her representative ("consumer representative") has requested a hearing on the rate application.

When these two conditions are met, the Department will initiate joint discussions that include the consumer representative and the applicant regarding the rate application. If the applicant submits any written or electronic data or correspondence regarding the application to the Department, the applicant must also send a copy to the consumer representative.

If the applicant, consumer representative and Department agree to a specific rate change the applicant may amend its rate application to request the agreed rate change. However, if the applicant, consumer representative and Department do not all agree to a specific rate change the applicant will have two options: the applicant may pursue the rate increase in a public hearing pursuant to CIC Sections 1861.05 and 1861.08 before the Department's Administrative Hearing Bureau, or the applicant may withdraw the rate application.

An applicant may withdraw an unapproved rate application at any time prior to issuance of a notice of hearing on the application. When a notice of hearing is issued the matter is referred to the Administrative Hearing Bureau. After the matter is referred to Administrative Hearing Bureau withdrawal may be permitted under certain circumstances. After an applicant withdraws a rate application, the applicant may file a new rate application at any time. The new rate application will be considered independently and will not be prejudiced by the existence of the prior rate application or any prior request for hearing.

Inquiries about this notice may be addressed to Daniel Goodell, Senior Staff Counsel, California Department of Insurance, 45 Fremont St., 21st floor, San Francisco, CA 94105. (415) 538-4191.

JOHN GARAMENDI  
Insurance Commissioner