

DEPARTMENT OF INSURANCE45 Fremont Street, 23rd Floor
San Francisco, CA 94105**ADVISORY NOTICE**

**TO: ALL INSURERS ADMITTED TO SELL AUTOMOBILE INSURANCE
IN CALIFORNIA AND ALL OTHER INTERESTED PERSONS**

DATE: OCTOBER 19, 2009

**RE: NOTIFICATION REGARDING PAY-AS-YOU-DRIVE
REGULATIONS AND IMPLEMENTING CLASS PLANS**

The purpose of this Advisory Notice is to provide an update regarding the status and implementation of the California Department of Insurance pay-as-you-drive regulations.

On October 15, 2009, the Office of Administrative Law approved Department regulations which permit insurers to use verified actual miles driven, instead of or in addition to, estimated miles driven, to determine the number of miles a policyholder drives annually, which is the second mandatory automobile rating factor set forth in California Insurance Code Section 1861.02(a)(2). The regulations also permit insurers employing verified actual mileage to offer policyholders the option to purchase coverage for a specified price per mile. The [final text of the regulations](http://www.insurance.ca.gov/0400-news/0100-press-releases/0080-2009/upload/PAYDFINALTXTFILED101609.pdf)¹ can be found on the Department's website at <http://www.insurance.ca.gov/0400-news/0100-press-releases/0080-2009/upload/PAYDFINALTXTFILED101609.pdf>.

The regulations have been filed with the Secretary of State and are now in effect. Accordingly, insurers desiring to implement verified actual mileage or specified price per mile programs may submit to the Department class plans implementing those proposals.

The Department emphasizes that no rate application will be required to accompany the verified actual mileage or specified price per mile class plans if the class plans submitted are revenue and expense neutral. Although existing regulation section 2632.11(c) requires that class plans be submitted with an accompanying rate filing, that section only applied to applications filed during the two-year transition period for the 2006 amendments to the weight ordering requirements of regulation section 2632.8(d). For applications submitted by an insurer already in full compliance with the 2006 amendments to regulation section 2632.8(d), when a class plan is revenue and expense neutral, an accompanying rate application is not required. However, if during the review process the Department determines that there is a rate or expense impact, an accompanying rate application, or an amended class plan eliminating the rate or expense impact, will be required before the class plan is approved.

Insurers should direct any technical questions about rate or class plan applications implementing verified actual mileage or specified price per mile programs to the insurer's assigned rate analyst.

¹ Department of Insurance File Number REG-2008-00020.

Other questions about this Notice may be directed to:

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STEVE POIZNER
Insurance Commissioner