



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

BULLETIN 2023-7

TO: All Admitted Property and Casualty Insurance Companies Subject to Provisions of Proposition 103

FROM: Insurance Commissioner Ricardo Lara

DATE: December 21, 2023

RE: Requirements for Complete Rate Applications and Issuing Good Driver Discount Policies

This Bulletin is in response to numerous consumer complaints that my Department has received regarding waiting periods, questionnaires, and other practices instituted by personal auto insurance companies while writing new and renewal personal auto insurance coverage that could be in violation of various provisions of Proposition 103 and/or other California laws, including (1) the obligation of insurers seeking rate changes to provide “such other information” required by the Insurance Commissioner and specifically delineated in Proposition 103 statutes as well as the Commissioner’s implementing regulations and rate filing instructions, exhibits, templates, checklists, and questionnaires; and, (2) the obligation of personal auto insurers to write all applicants who qualify as “Good Drivers.”

These waiting periods, questionnaires, and other practices may serve as barriers to the acceptance of otherwise qualified drivers and are being used as roadblocks to slow down, restrict, non-renew, or outright refuse auto insurance coverage.

I. All Admitted Property and Casualty Insurers Must Publicly File All Changes to Rates, Rating Rules, Eligibility, Renewal, and Underwriting Guidelines Prior to Implementation

Property and casualty insurers subject to the provisions of Proposition 103 in California are required to submit complete rate applications to the Insurance Commissioner for review and approval before implementing any change to existing rates.¹ A complete rate application consists of data proscribed by statutes and regulations² as well as “such other information as the commissioner may require.”³ A comprehensive description of “such other information” required by the Insurance Commissioner in a complete rate application for purposes of Proposition 103, including, without limitation, the rate filing instructions as well as required exhibits, templates, checklists, and questionnaires, is publicly maintained and periodically updated on my Department’s website.⁴

¹ Cal. Ins. Code, §§ 1861.01, subd. (c), 1861.05, subd. (b).

² Cal. Ins. Code, §1861.05, subd. (b); see also, Cal. Ins. Code, §§ 1857.7, 1857.9, & 1864; Cal. Code Regs., tit. 10, §§ 2641.1-2643.8, 2644.1-2644.28.

³ Cal. Ins. Code, §1861.05, subd. (b).

⁴ See <https://www.insurance.ca.gov/0250-insurers/0800-rate-filings/0200-prior-approval-factors/>.

As set forth in the Insurance Commissioner's rate filing instructions, insurers shall publicly file a completed application in SERFF⁵ any time they seek to implement new, or changes to existing, programs, coverages, rates, rating factors, underwriting guidelines⁶, rating rules, forms, and fees, or make any other changes that may have a rate impact.

Insurers shall publicly⁷ submit the required information in an appropriate filing *prior to* implementation of any such proposed changes even if the insurer maintains the proposed changes will have no rate impact, so the Insurance Commissioner may review the proposed changes to evaluate whether there will in fact be any rate impact.

An insurer's failure to file proposed underwriting guidelines prior to implementing the proposed guideline may result in an administrative enforcement action against the insurer leading to restitution and/or penalties.⁸

II. All Personal Auto Insurers Must Write All Qualified Good Drivers

Personal automobile insurers subject to the provisions of Proposition 103 in California are required to offer and sell insurance to all persons who qualify as "Good Drivers."⁹ The eligibility requirements of a "Good Driver" are statutorily proscribed; a person qualifies as a "Good Driver" if they have been licensed for at least three consecutive years, have no more than one point on their driving record, and were not principally at fault as the driver in a motor vehicle accident that resulted in bodily injury or death of any person.¹⁰ Insurers "shall not refuse to offer and sell a Good Driver Discount policy to any person" who qualifies as a Good Driver.¹¹

An insurer has 15 business days after receiving a completed application to bind coverage of a Good Driver.¹² Imposing unreasonable application requirements that are unrelated to the statutorily proscribed Good Driver eligibility factors¹³ and that discourage, inhibit, and/or delay Good Drivers from completing an application for insurance from the automobile insurer of their choice result in a *de facto* failure or refusal by the insurer to provide the applicant with a Good Driver Discount policy.¹⁴

Specific examples of improper application requirements may include, without limitation, requiring applicants to: complete unnecessarily lengthy and/or confusing questionnaires; verify employment or school information; respond to physically mailed questionnaires despite applicants electing (e.g. opt-in) to receive documents electronically; provide information regarding excluded drivers living at the same

⁵ "SERFF" stands for the System for Electronic Rates and Forms Filing and is maintained by the National Association of Insurance Commissioners (NAIC). My Department maintains the following portal for consumers to access publicly available rate, rule, and form filings: <https://filingaccess.serff.com/sfa/home/CA>.

⁶ For purposes of the Commissioner's rate filing instructions and this Bulletin, the term "underwriting guidelines" shall include without limitation any and all rating, eligibility, renewal, and underwriting guidelines, which shall be described collectively as including both: (1) any and all criteria, guidelines, systems, manuals, and algorithms an insurer uses to reduce, increase, or restrict the number of policies written or renewed, or restrict the coverages offered, in specific geographic areas such as ZIP codes, counties, or territories, for any reason, including over-concentration; and (2) any and all methods or sets of standards, parameters, rules, requirements or procedures that are used by an insurer, agent, broker, or underwriter to assist in the determination of whether to accept, examine, inspect, cancel, non-renew, or re-underwrite a risk, or to modify an applicant's or insured's coverage or coverage options.

⁷ See the General Counsel opinion letter dated August 10, 2018 (<https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/GCLetterOpinionUWGuidelines.pdf>).

⁸ Cal. Ins. Code, § 1858 et seq.

⁹ Cal. Ins. Code, § 1861.02, subd. (b)(1).

¹⁰ Cal. Ins. Code, § 1861.025.

¹¹ Cal. Ins. Code, § 1861.02, subd. (b)(1).

¹² Cal. Code Regs., tit. 10, §2632.14.3, subd. (b).

¹³ See, Cal. Ins. Code, § 1861.025.

¹⁴ Cal. Code Regs., tit. 10, §2632.14.3, subd. (a).

address; or submit copies of applicants' utility bills, vehicle registrations, and/or photos of driver's licenses or vehicles, among other examples.

The Insurance Commissioner may initiate administrative enforcement actions and/or seek penalties against any and all insurers failing to offer and sell automobile insurance to all qualified Good Drivers.¹⁵

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¹⁵ Cal. Ins. Code, § 1858 et seq.